United States Court of Appeals

for the Second Circuit

APPENDIX

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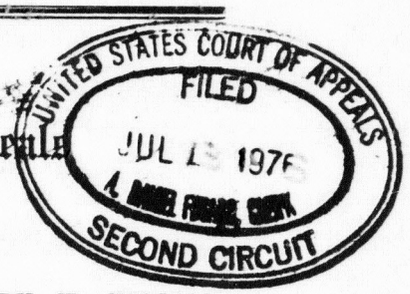

United States Court of Appeals

FOR THE SECOND CIRCUIT

MARX & CO., INC., JOHN V. SUMMERLIN, JR., OTTO MARX, JR., WILLIAM D. FUGAZY and LOUIS V. FUGAZY,

Plaintiffs-Cross-Appellants,

—against—

THE DINERS' CLUB, INC., DINERS/FUGAZY TRAVEL, INC., THE CONTINENTAL CORPORATION and THE CONTINENTAL INSURANCE COMPANY,

Defendants-Cross-Appellees,

THE DINERS' CLUB, INC., DINERS/FUGAZY TRAVEL, INC.,

Defendants-Appellants,

—against—

WILLIAM D. FUGAZY, LOUIS V. FUGAZY, JOHN V. SUMMERLIN, JR., OTTO MARX, JR., MARX & CO., INC., and F. T. VENTURES, INC.,

Plaintiffs-Appellees

On Appeal from an Order and Judgment of the United States District Court for the Southern District of New York

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APPENDIX TO THE BRIEFS

[Volume II—Pages A-513 to A-1080]

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PLAINTIFFS' EXHIBIT 5

AGREEMENT made this 10th day of October, 1967, by and between THE DINERS' CLUB, INC., a New York corporation (hereinafter referred to as "Diners") and FUGAZY TRAVEL BUREAU, INC., a New York corporation (hereinafter referred to as "Fugazy").

Fugazy is engaged, directly and through subsidiaries and franchises, in the business of providing travel and other services. It contemplates merging certain of its subsidiaries into itself and thereafter selling substantially all its assets, business and good will, as same shall exist upon the effectiveness of such mergers, upon the terms and conditions hereinafter set forth. Diners desires, through a wholly-owned subsidiary to be formed (which will be named "Fugazy Travel Bureau, Inc. (Delaware)" or such other name as Diners shall designate and is hereinafter referred to as "DFT"), to buy all of such assets and good will, upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, Diners and Fugazy hereby agrees as follows:

1. Sale and Transfer of Fugazy's Assets and Certain Related Transactions

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1.1. Sale and Transfer of Assets. Fugazy agrees, subject to the terms and conditions of this Agreement, to sell, convey, transfer, assign and deliver to DFT at the Closing, as hereinafter defined and after giving effect to the mergers referred to in Section 4.1 hereof, all of its assets, properties, business and good will of every kind and description, wherever located, including, without limitation, the exclusive right to use the Fugazy family crest, all property, tangible and intangible, accounts receivable, bank accounts, cash deposits and securities, claims, rights under contracts, the right to use its corporate name and all other names and designations used by Fugazy or any of its subsidiaries in connection with their businesses, and all of its books and records relating to its business, excepting only (a) the minute books, stock certificate books and stock ledger records of Fugazy and its Subsidiaries (as hereinafter defined), and (b) all of the outstanding shares of capital stock of Fugazy Travel Bureau of Illinois, Inc. and Fugazy Philadelphia, Inc., except as set forth, with respect to such stock in ~~clause (viii) of~~ paragraph (b) of Section 4.7 hereof. The assets so to be sold, conveyed, transferred, assigned and delivered shall include without limitation, those reflected in the unaudited consolidated balance sheet of Fugazy and all its Consolidated Subsidiaries (as hereinafter defined) at June 30, 1967, referred to in Section 2.4 hereof (such balance sheet being hereinafter referred to as the "Balance Sheet"), and all assets and property thereafter acquired prior to the time of the Closing, except such of those assets as may have been disposed of prior to the time of the Closing in the ordinary course of business or in accordance with the provisions of this Agreement. Such sale, conveyance, transfer, assignment and delivery shall be free and clear of all liabilities, obligations, liens and encumbrances, except those contract obligations which are expressly assumed by DFT pursuant to Section 1.2(c) hereof.

1.2. Consideration for Sale and Transfer. Diners hereby agrees, at the Closing, subject to the terms and

conditions of this Agreement and in consideration of the aforesaid sale, conveyance, transfer, assignment and delivery:

(a) to pay, or cause DFT to pay, to or for the account of Fugazy, $2,809,669 as follows:

(i) $370,082, by certified or bank cashier's check, payable to Fugazy; and

(ii) $2,439,587, by certified or bank cashier's check, payable to Bankers Trust Company, for deposit in a special account (hereinafter referred to as the "Special Account") to be established and maintained as provided in Section 1.4 hereof;

(b) to cause to be issued and to deliver certificates representing 62,000 shares of Diners' Common Stock, par value $1 per share (hereinafter referred to as "Common Stock"), to or for the account of Fugazy, as follows:

(i) A certificate representing ~~5,000~~ 3,100 shares of Common Stock issued in the name of A. Mitchell Liftig (hereinafter referred to as "Liftig"), to Liftig, the same being in partial satisfaction of Fugazy's obligations to Liftig for services rendered in connection with the negotiation of this Agreement and the consumption of the transactions contemplated hereby; and

(ii) A certificate representing ~~57,000~~ 58,900 shares of Common Stock issued in the name of Fugazy, to Fugazy, which shall simultaneously deliver such certificate (together with appropriate stock powers executed in blank, with signature guaranteed) to Bankers Trust Company, 16 Wall Street,

New York, New York (hereinafter referred to as the "Escrow Agent"), to be held and disposed of by the Escrow Agent as provided in the Escrow Agreement, a copy of which is annexed hereto as Exhibit A; and

(c) to cause DFT to deliver to Fugazy an undertaking, a copy of which is annexed hereto as Exhibit A-1, whereby DFT agrees to perform the obligations of Fugazy, from and after the time of the Closing, of the agreements and contracts listed in Schedules 4, 5 and 6 and effectively assigned to DFT at the Closing, except those certain agreements with Travelco, Inc. (Pa.) dated August 19, 1966, as amended, and with Travelco, Inc. (N.Y.) dated June 19, 1967, as amended, employment agreement between Dial-a-Tom, Inc. and Ira Boyer, dated May 9, 1967 (as amended on February 27, 1967), lease for premises at 342 Madison Avenue, New York New York, lease for premises 230 S. 15th Street, Philadelphia, Pa., leases between Dial-a-Tom Inc. and Maisonneuve Lodging, Inc., Les Placements Lyon Ltee, Montreal Residences and Montreal Canes Football Club Ltd, cash for rooms in Montreal.

1.3. Certain Post-Closing Adjustments

(a) The total consideration stated to be payable hereunder, including the amount to be deposited in the Special Account, has been computed on the basis of the Balance Sheet. It is agreed that such consideration shall be adjusted after the Closing to account for Fugazy's operations for the period from June 30, 1967 to September 30, 1967. Upon the Closing, the operations of Fugazy and its Consolidated Subsidiaries (as hereinafter defined) from and including October 1, 1967 to the time of Closing and all transactions conducted by Fugazy and such Subsidiaries during such period shall be deemed made or conducted for the account of DFT, and Fugazy shall account to DFT with respect to same and shall deliver at the Closing any additional cash or other assets resulting from such operations or transactions. As soon as may be practicable after the time of the Closing, but in no event later than three days after the Closing or

a schedule listing all the Accounts and Notes Receivable and Investments in and Advances to Franchisees and the amount owing by each debtor shown on such schedule as of such date,

November 1, 1967, whicheyer be later, Fugazy shall deliver to Diners a pro forma balance sheet of Fugazy as of September 30, 1967 (giving effect to the transactions provided for in Section 4.1), together with a Schedule of Current Liabilities showing the name of each creditor and the amount due such creditor as of such date, and supporting schedules in such detail as Diners shall request, certified by Fugazy's Chairman of the Board and President. Such balance sheet shall be prepared in accordance with generally accepted accounting principles consistently applied. As soon as practicable after the receipt of the aforementioned balance sheet and supporting schedules, or at such earlier time as Diners shall request, but in no event later than 15 days after receipt of the aforementioned balance sheet and supporting schedules Messrs. Touche, Ross, Bailey & Smart, on the basis of a limited review of the books and accounts of Fugazy, shall prepare a report showing the Assets other than Good Will and investments in Subsidiaries other than Fugazy International, S.r.l., (including furniture, equipment and improvements at original cost) and the Current Liabilities of Fugazy as of September 30, 1967, and shall deliver such report, together with its worksheets showing such revisions in the Schedule of Current Liabilities and other schedules delivered by Fugazy as may be required on the basis of such limited review, (such report, worksheets and schedules being hereinafter referred to as the "Closing Statement") to Diners and Fugazy.

(b) Such Closing Statement shall be binding nd conclusive upon Fugazy and Diners, unless either party hall, by notice to the other within ~~15~~ 3 business days following delivery to them of such Closing Statement, object to any mounts shown thereon. In the event any such objections shall e made, J. K. Lasser & Company, or another designee of Fugazy, hall confer with Messrs. Touche, Ross, Bailey & Smart, for he purposes of arriving at an agreement on any disputed tems. In the event J. K. Lasser & Company or such other lesignee and Messrs. Touche, Ross, Bailey & Smart shall not ~~15~~ 3 business days be able to resolve any such disputes within ~~15~~ days after delivery of any notice of objection as aforesaid, the matter shall be submitted to Price, Waterhouse & Co., whose determination with respect to any disputed items shall be final and conclusive upon both Fugazy and Diners.

(c) If the amount of Assets other than Good Will and investments in Subsidiaries other than Fugazy International, S.r.l. (including furniture, equipment and improvements at original cost) and as shown on the Closing Statement exceeds $3,009,669 less $200,000 (such latter amount representing an additional reserve to be established by DFT at the Closing) Diners shall pay, or shall cause DFT to pay, to Fugazy the amount of such excess. If such amount as shown on the Closing Statement is less than $3,009,669 less $200,000, Fugazy shall pay the amount of such difference to Diners. Settlement shall be made within 15 days after receipt of the Closing Statement, or, if either party objects thereto, within 15 days after the amounts shown thereon are finally determined as

provided in paragraph (b), by delivery of a certified or cashier's check for the amount due.

(d) If the amount of Current Liabilities as shown on the Closing Statement, as finally determined, exceeds $2,439,587, then Fugazy shall promptly deposit the amount of such excess in the Special Account. If such amount as shown on the Closing Statement is less than $2,439,587, Fugazy shall be entitled to withdraw the amount of such difference from the Special Account.

1.4. Special Account. In order to facilitate the payment of Fugazy's creditors shown on the Schedule of Current Liabilities, Fugazy shall, at or prior to the Closing, establish the Special Account at the Bankers Trust Company, 16 Wall Street, New York, N.Y. 10015. The Special Account shall be administered by Fugazy (subject to the restrictions hereinafter contained) only for the purpose of applying the monies deposited therein pursuant to Sections 1.2(a)(ii) and 1.3(d) to discharge the Current Liabilities of Fugazy as shown on the Schedule of Current Liabilities as finally approved pursuant to Section 1.3(c) by Messrs. Touche, Ross, Bailey & Smart and used in support of the Closing Statement. Each check drawn on the Special Account shall require the signatures of a designee of Fugazy and of any one of the following: the Chairman of the Board, the Executive Vice President, the Executive Vice President-Finance, the Treasurer and the Controller of Diners. In the event either Fugazy, Diners or DFT is sued by any creditor of Fugazy with respect to any Current Liability shown on the Closing Statement Fugazy shall, at the written request of DFT, authorize or cause its designee to authorize the immediate payment to such creditor of the full amount due such creditor, as shown on the Closing Statement. From time to time, whenever the balance in the Special Account exceeds the outstanding unpaid

amount of Current Liabilities of Fugazy, as shown on the Closing Statement, such excess shall be disbursed to Fugazy. It is the intention of the parties hereto that the establishment and maintenance of the Special Account shall be for the sole purpose of preserving the good-will and continued patronage for DFT of those creditors of Fugazy shown on the Schedule of Current Liabilities by providing for the prompt and orderly disposition of their claims. Nothing expressed in this Agreement, or implied therefrom, including provisions for the establishment and maintenance of the Special Account is intended, or shall be construed to give, any person, firm or corporation, other than the parties hereto, any legal or equitable right, remedy or claim against the monies held in the Special Account or against DFT or Diners. DFT and Fugazy agree to execute, or to cause their respective nominees to execute, such checks and such other documents that may be required for the disbursement of funds from the Special Account, in accordance with the provisions of this Section 4.1.

1.5. Instruments of Conveyance and Transfer, etc. Fugazy hereby agrees that at the Closing it will deliver to DFT (a) all such deeds, bills of sale, endorsements, assignments and other good and sufficient instruments of transfer, in form and substance reasonably satisfactory to Diners' counsel, Messrs. Hays, Sklar & Herzberg, as shall be effective to vest in DFT good and marketable title to the assets and business to be sold, conveyed, transferred, assigned and delivered hereunder, all as provided in this Agreement; and (b) all of Fugazy's contracts and commitments, books, records and other data relating to its assets, business and operations, excepting the minute books, stock certificate books and stock ledger records of Fugazy and its Subsidiaries. Fugazy further agrees that, simultaneously with such delivery, all requisite steps will be taken to put DFT in actual possession and operating control of all such assets and business.

1.6. Further Assurances. Fugazy agrees that, at any time and from time to time after the Closing, at the request of Diners or DFT, and without further consideration, it will execute and deliver such other instruments of sale, conveyance, assignment and transfer and take such other action as Diners or DFT may reasonably require more effectively to convey to, transfer to, and vest in DFT, or to put DFT in possession of, any or all of the business, assets and property to be sold, conveyed, transferred, assigned and delivered hereunder. After the Closing DFT shall upon written request of Fugazy grant to the authorized representatives of Fugazy reasonable access to the books and records of Fugazy delivered to DFT at the Closing for use by them in preparing tax returns or for any other valid corporate purpose.

1.7. Right of Collection. Fugazy agrees that DFT shall have the right and authority to collect, for the account of DFT, all receivables and other items which shall be transferred to DFT as provided herein, and to endorse with the name of Fugazy any checks received on account of any such receivables or other items. Fugazy agrees that it will hold in trust and deliver, in its original form, to DFT promptly, any cash or other property which Fugazy may receive in respect of such receivables or other items.

2. Representations and Warranties by Fugazy. Fugazy represents and warrants to Diners that:

2.1. Organization, etc. Fugazy is a corporation duly organized, validly existing and in good standing under the laws of the State of New York, has full corporate power to carry on its business as it is now being conducted, and to own or lease, and operate, the properties or assets now owned or leased, and operated, by it, and is duly qualified or licensed to do business as a foreign corporation, and is in good standing, in every jurisdiction in which the nature of the business conducted by it or the character of the

properties and assets operated by it makes such qualification necessary. The copies of the certificate of incorporation and by-laws of Fugazy heretofore deliver to Diners are true, correct and complete copies of the certificate of incorporation (certified by the Secretary of State of the State of New York within twenty days of the date of this Agreement) and by-laws (certified by Fugazy's secretary within five days of the date of this Agreement) of Fugazy, each as amended to the date hereof. The copies of the minutes of the meetings of Board of Directors of Fugazy, of all committees of the Board of Directors of Fugazy, and of the shareholders of Fugazy, certified by Fugazy's Secretary and heretofore delivered to Diners are true, correct and complete copies of all such minutes of all such meetings.

2.2. Capitalization. The authorized capital stock of Fugazy consists of (a) 7,500 shares of Common Stock, par value $10 per share, of which 4,500 shares have been issued and are presently outstanding, (b) 10,000 shares of 6% Cumulative Preferred Stock, par value $20 per share, of which 9,950 shares have been issued and are presently outstanding, and (c) 10,000 shares of 6% Cumulative Convertible Preferred Stock, par value $15 per share, of which 2,997 shares have been issued and are presently outstanding, and as to which the rights of conversion expired on March 1, 1966. All of the foregoing issued shares were duly and validly issued and are fully paid and non-assessable. There are no outstanding options, warrants, calls, rights to subscribe or commitments of any character relating to any of the foregoing issued shares, and there are no outstanding options, warrants, calls, rights to subscribe or commitments of any character relating to any shares of authorized but unissued capital stock of Fugazy. Fugazy has heretofore delivered to Diners a schedule (Schedule 1), signed by Fugazy's Chairman of the Board and President, listing all the holders of record of any class of capital stock of Fugazy and the number of

shares of each class held by each of them. Such list is true, complete and correct.

2.3. Subsidiaries. As used herein, the term "Subsidiary" means a corporation (a) of whose outstanding voting stock Fugazy owns 50% or more of the shares or (b) of whose outstanding voting stock Fugazy and/or any corporation or corporations ~~within the meaning of clause named pursuant to the require-~~ ~~ment in~~ (a) above or this clause (b) ~~requirement~~ owns 50% or more of the shares. Fugazy has heretofore delivered to Diners a schedule (Schedule 2A) listing the following subsidiaries: Fugazy Travel Bureau of Illinois, Inc., Fugazy Philadelphia, Inc. and Fugazy International, S.r.l. (such subsidiaries being hereinafter referred to as the "Schedule 2A Subsidiaries") and a schedule (Schedule 2B) listing every other subsidiary of Fugazy (such Subsidiaries being hereinafter referred to as the "Consolidated Subsidiaries"). Each schedule has been signed by Fugazy's Chairman of the Board and President, and each contains the following information with respect to each subsidiary listed thereon: the jurisdiction in which it is incorporated; the number of shares and percentage of its outstanding stock owned by Fugazy or a Subsidiary (showing the name of the corporation or corporations owning such shares, if not Fugazy, and where less than 100% of its outstanding stock is owned by Fugazy or a Subsidiary, showing the names of the owner or owners of shares of its outstanding stock other than Fugazy or a Subsidiary); and the jurisdictions, if any, in which it is

qualified or licensed to do business as a foreign corporation. All of the outstanding shares of stock of the Subsidiaries have been duly and validly issued, are fully paid, and non-assessable, and are owned free and clear of all liens, charges and encumbrances. Each of the Subsidiaries is a corporation duly organized and existing in good standing under the laws of the jurisdiction of its incorporation and has corporate power to carry on its business as it is now being conducted. Each of the Subsidiaries is duly qualified or licensed to do business as a foreign corporation, and is in good standing, in every jurisdiction in which the nature of the business transacted by it or the character or location of its properties requires its qualification or licensing as a foreign corporation. Except as shown on Schedules 2A and 2B, there are no existing options, warrants, calls or commitments of any character relating to any of the issued shares of capital stock of any of the Subsidiaries and there are no outstanding options, warrants, calls, rights to subscribe or commitments of any character relating to any shares of authorized but unissued capital stock of any Subsidiary. The copies of the respective certificates of incorporation (certified by the Secretary of State or equivalent governmental officer of the jurisdiction of incorporation of each respective Subsidiary within twenty days of the date of this Agreement) and the by-laws (certified by the respective Subsidiaries' secretaries within five days of the date of this Agreement) of each of the Subsidiaries heretofore delivered to Diners, are true, correct and complete copies of the certificate of incorporation and by-laws of each such Subsidiary as amended to the date hereof.

2.4. Financial Statements. Fugazy has heretofore

delivered to Diners audited consolidated financial statements of Fugazy and all its Subsidiaries for the period March 1, 1963 through September 30, 1964 and for the fiscal year ended September 30, 1966 (certified by J. K. Lasser & Company, independent certified public accountants) and unaudited consolidated financial statements of Fugazy and all its Consolidated Subsidiaries for the nine month period ended June 30, 1967 (certified by Fugazy's Chairman of the Board, President and Executive Vice President), including in each case a consolidated balance sheet at the end of each such period and related consolidated statements of income for each such period. Except for the investment of Fugazy in Fugazy International, S.r.l., the investment of Fugazy in its other Schedule 2A Subsidiaries is not reflected in such financial statements. Such financial statements are in accordance with the books and records of Fugazy, were prepared in conformity with generally accepted accounting principles applied in each case on a basis consistent with that of the preceding period, and present fairly, completely and accurately the consolidated financial position and assets and liabilities of Fugazy and all its Consolidated Subsidiaries at the end of each such period and the consolidated results of their operations for each such period. The provisions made for taxes in the financial statements for the nine month period ended June 30, 1967 are sufficient for the payment of all unpaid federal, state, county and local taxes for which Fugazy and its Consolidated Subsidiaries may be liable, accrued for or applicable to the period ended on that date and for all periods prior thereto, whether or not disputed.

2.5. Taxes. Except as set forth in Schedule 2C annexed hereto, Fugazy and each of its Subsidiaries have filed all Federal, State, county and local income, excise, property and other tax returns which are required to be

filed by them. True and correct copies of each such filed return have heretofore been delivered to Diners. Fugazy and its Subsidiaries paid all taxes which have become due pursuant to such filed returns or pursuant to any assessments which have been received by it. The Federal income tax returns of Fugazy and its Subsidiaries have not been audited by the Internal Revenue Service for any fiscal period or years. Except as set forth in Schedule 2C, there are no agreements by Fugazy or any Subsidiary for the extension of the time for the assessment of any tax, and all Federal, State, county and local taxes of any nature whatsoever due and payable by Fugazy or any Subsidiary on or before the date of this Agreement have been paid.

2.6. Title to Assets. Fugazy and its Consolidated Subsidiaries own outright all the properties and assets reflected on the Balance Sheet (other than properties or assets sold or disposed of since the date of the Balance Sheet in the ordinary course of business) and all properties and assets that have been acquired (and not disposed of in the ordinary course of business) since the date of the Balance Sheet; and Fugazy and its Consolidated Subsidiaries are in possession of all such properties and assets, to the extent such assets are capable of possession. Such properties and assets are subject to no liens, mortgages, pledges, encumbrances, or charges of any kind, except those reflected in the Balance Sheet and as set forth in a schedule (Schedule 3), signed by Fugazy's Chairman of the Board and President and heretofore delivered to Diners. Neither Fugazy nor any Consolidated Subsidiary owns any real property. All the furniture, fixtures and equipment owned by Fugazy and its Consolidated Subsidiaries are in good operating condition and repair, subject to ordinary wear and tear from normal use. The accounts and notes receivable reflected in the

Balance Sheet and the accounts and notes receivable acquired after the date of the Balance Sheet have been collected or are collectible at the aggregate recorded amounts thereof, less, with respect to the accounts receivable, the aggregate of the applicable reserves, which reserves are adequate in the opinion of Fugazy. All prepaid items and deposits reflected in the Balance Sheet or acquired after the date of the Balance Sheet shall have been made or shall have arisen in the ordinary course of the business of Fugazy and its Consolidated Subsidiaries and shall represent fixed obligations due to Fugazy or its Consolidated Subsidiaries, without deductions, counterclaims or setoffs of any kind. Fugazy does not own or lease any vehicles, except as set forth in Schedule 2D hereof.

2.7. Absence of Undisclosed Liabilities. Except to the extent reflected or reserved against in the Balance Sheet, Fugazy and its Consolidated Subsidiaries, as of the date thereof, had no liabilities or obligations (whether accrued, absolute, contingent or otherwise) of a nature customarily reflected in a corporate balance sheet or the Notes thereto prepared in accordance with generally accepted accounting principles, including, without limitation, any tax liabilities (a) incurred in respect of or measured by the income of Fugazy or any of its Consolidated Subsidiaries for any period prior to the close of business on June 30, 1967 or (b) arising out of transactions entered into, or any state of facts existing, prior thereto. Fugazy and its Consolidated Subsidiaries have no material liabilities of any nature, contingent or otherwise, or in any amount not fully reflected or reserved against in the Balance Sheet or the Notes thereto, except for liabilities incurred since June 30, 1967 in the normal course of business.

2.8. Franchises. As used herein, the term "Franchisee" means a person, firm, corporation or other business entity operating a travel agency and entitled by agreement with Fugazy to use, either as a principal or as an agent for Fugazy, the trade name "Fugazy Travel Bureau" or any like name including the word "Fugazy" (whether such agreement is a Branch-Franchise Agreement or a Travel Agency Licensing Agreement or a Management Agreement) and the term "Franchise" means the travel agency being so operated. Fugazy has heretofore delivered to Diners a schedule (Schedule 4), signed by Fugazy's Chairman of the Board and President, listing each agreement with a Franchisee and each lease to which Fugazy is a party with respect to a Franchise location; and true and correct copies of each such agreement and each such lease have heretofore been delivered to Diners. Except as to the agreements and leases listed on Schedule 4, Fugazy is not a party to any franchising, licensing or similar agreement or arrangement. Each agreement and each lease listed in Schedule 4 is in full force and effect, is enforceable in accordance with its terms, and has not been modified or amended except as shown on such Schedule. Each party to each such agreement and to each such lease has performed and is performing, in all material respects, all the obligations required to be performed by it thereunder. No Franchisee has made any prepayment to Fugazy with respect to any of its obligations under its agreement relating to its Franchise. Each Franchisee has complied and is complying with all laws, rules and regulations applicable to it in those jurisdictions and governmental subdivisions where each is operating.

2.9. Leases. Fugazy has heretofore delivered to Diners a schedule (Schedule 5), signed by Fugazy's Chairman of the Board and President, setting forth in summary form the material provisions, as of the date thereof, regarding (a) the leases pursuant to which Fugazy leases any real property (except such leases as are set forth in Schedule 4), and (b) the leases pursuant to which Fugazy leases any equipment or other personal property. Fugazy has heretofore delivered to Diners true and correct copies of each such lease. Each leasehold estate purported to be granted by any lease listed in either Schedule 4 or Schedule 5 is owned by Fugazy and each such lease is in good standing, valid and enforceable in accordance with its terms. All improvements in or on premises subject to such leases conform to all applicable state, county and local laws, including, without limitation, zoning, building and safety ordinances. There is not, under any of such leases, any existing default or event of default or event which with notice or lapse of time or both would constitute a default and in respect of which Fugazy, the Subsidiary a party to the Lease, and/or the Franchisee occupying the premises subject thereto has not taken adequate steps to prevent a default from occurring.

2.10. Contracts. Fugazy has heretofore delivered to Diners a schedule (Schedule 6), signed by Fugazy's Chairman of the Board and President, listing and briefly describing certain contracts to which Fugazy or any of its Subsidiaries is a party. True and correct copies of each contract listed in Schedule 6 have heretofore been delivered to Diners. Except only as to contracts and instruments included in Schedule 4/Schedule 5, and Schedule 6, neither Fugazy nor any of its Subsidiaries are parties to any oral or written

(a) contract not made in the ordinary course of business, (b) employment contract which is not terminable at the will of Fugazy or any Subsidiary/which is the employer thereunder without cost or other liability to Fugazy or any Subsidiary, or any respective successor, (c) contract with any labor union or organization, (d) bonus, pension, profit-sharing, retirement, stock purchase, deferred compensation, hospitalization, insurance or similar plan providing employee benefits, (e) continuing contract for the future purchase of materials, supplies or equipment in excess of the requirements of business now booked, (f) contract involving payment of more than $2,500 or extending beyond October 31, 1967, or otherwise materially affecting the assets or business being sold hereunder, (g) license or agreement (other than those listed in Schedule 4) relating in whole or in part to (i) trademarks, trade names or copyrights, registered or unregistered, or (ii) inventions, discoveries, improvements, processes, formulae, trade secrets, ideas or other know-how, (h) contract, lease, agreement or understanding with any shareholders or former shareholders of either Fugazy or any Subsidiary or any relative of any such shareholder or former shareholder, (i) agreement (other than this Agreement) or arrangement for the sale of any of its assets or the grant of any preferential rights to purchase any of its assets, property or rights or requiring the consent of any party to the transfer and assignment of such assets, property and rights, (j) agreement with respect to any merger or consolidation/ except as contemplated by Section 4.1hereof (k) commission agreement, (l) consultant's agreement, or (m) power of attorney or other instrument or arrangement authorizing anyone to act for or in any way commit Fugazy or any subsidiary to any action. To the best of Fugazy's knowledge in all material respects all obligations required

to be performed to date have been performed, and in no material respect is there a default, under any contract or other instrument to which Fugazy or any Subsidiary is a party.

2.11. Right to Transfer without Consent. Fugazy has the right to transfer and assign pursuant to this Agreement all its right, title and interest in and to all of its property and assets of every kind, including, without limitation, the contracts and agreements listed in Schedules 3, 4, 5 or 6 without first obtaining the consent of any person or persons not a party to this Agreement, except with respect to such contracts and agreements described in a schedule (Schedule 7), signed by Fugazy's Chairman of the Board and President and heretofore delivered to Diners, and, as to the agreements listed in Schedule 7, the appropriate consents shall be obtained at or prior to the Closing.

2.12. Conference Approvals. Fugazy, each Subsidiary and each Franchisee presently is approved, either on a temporary or permanent basis, by IATA, ATC, TAPC, TPPC, RTPA and all other traffic conferences or associations, the approval of which is necessary for the operation of their respective businesses as they are presently being conducted, and Fugazy, each Subsidiary and each Franchisee presently holds its approvals in good standing and subject to no challenges, revocation proceedings, claims or like charges by any particular conference or association involved. To the extent any such approvals are temporary, Fugazy is proceeding expeditiously to have them made permanent. Fugazy has heretofore delivered to Diners a schedule (Schedule 8), signed by Fugazy's Chairman of the Board and President and setting forth, with respect to itself, each Subsidiary and each Franchisee, the conference and association approvals held and the current status of each such approval, and has heretofore delivered to Diners true and correct copies of each such approval.

2.13. Trade Names, Etc. Fugazy is the sole owner of the trade names "Fugazy" and "Fugazy Travel Bureau" and of all the trade marks, copyrights, heralds, insignia, service marks, and trade signs or styles identified with Fugazy and the conduct of its business. Fugazy has the right and authority to conduct its business under such trade names or derivations thereof as such business is now being conducted and to use in connection therewith the aforementioned trade marks, copyrights, heralds, insignias, service marks and trade signs and styles. Fugazy has not licensed, franchised or otherwise permitted any party to use said trade names, or any derivations thereof, or said trade marks, copyrights, heralds, insignias, service marks and trade signs or styles, except pursuant to those agreements listed in Schedule 4, and except that Fugazy Continental, Inc. (N.Y.) and Fugazy Continental, Inc. (Del.) have the right to use the name "Fugazy" solely in connection with the operations of limosine rental business, and for no other purpose and in no other connection.

2.14. Compliance with Law, etc. Fugazy and each of its Subsidiaries possesses all licenses and permits required in connection with the operation of their respective businesses, and each has complied with, and is in compliance with, all laws, rules and regulations applicable to their respective businesses. To the best of Fugazy's knowledge and belief, there is no pending legislation or ordinance which, if enacted by any jurisdiction or governmental subdivision, would adversely affect its business as it is now being conducted.

2.15. Lists of Properties, Insurance Policies, Personnel Data, Etc. Fugazy has delivered to Diners a schedule (Schedule 10), containing accurate lists and summary descriptions, each signed by Fugazy's Chairman of the Board and President, of the following:

(a) Each item of machinery or equipment owned by Fugazy or any Subsidiary having a book value in excess of $1,000

(b) All trademark and trade name registrations and copyright registrations unexpired as of the date hereof, and all applications pending on the date hereof for trademark or trade name registrations or for copyright registrations, and all trademarks and trade names in use on the date hereof, all of the foregoing being owned in whole or in part as of said date by Fugazy or a Subsidiary, all of which are valid and in good standing, and as to all of which nothing has been done, or permitted to be done, by Fugazy or any Subsidiary which would justify the suspension or revocation of any of the foregoing. True and

correct copies of all such registrations and applications have heretofore been delivered to Diners.

(c) All policies of insurance in force with respect to Fugazy or any Subsidiary and without restricting the generality of the foregoing, those covering its respective properties, machinery, equipment, furniture, fixtures, products and operations. Such policies are assignable. Such policies provide Fugazy and its Subsidiaries with coverage in such amounts and against such risks as a prudent businessman would deem advisable. Such policies providing substantially the same coverage, will be outstanding and fully in force at the time of the Closing, at which time such policies will be assigned to DFT in accordance herewith. True and correct copies of each such policy have heretofore been delivered to Diners.

(d) The names of all officers and directors of Fugazy or any Subsidiary and the names of all officers and employees of Fugazy or any Subsidiary whose current annual compensation rate is $10,000 or more, together with a summary of the bonuses, percentage compensation and other like benefits, if any, paid to such persons for the year ending September 30, 1966 and paid or payable to such persons for the year ending September 30, 1967.

(e) The name of each bank in which Fugazy and each Subsidiary maintains any account (and if there is more than one account the designations of each account) or safe deposit box or boxes and the names of all persons authorized to draw thereon or have access thereto.

2.16. Absence of Certain Changes and Events. Since June 30, 1967:

(a) Neither Fugazy nor any Subsidiary has declared, set aside o paid any dividends, whether payable in cash or in other assets, and has not declared, set aside or paid any stock dividends, or made any distributions of assets or cash with reference to its outstanding shares, or issued, sold, purchased or redeemed, or agreed to issue, sell, purchase or redeem, whether by stock split or otherwise, or granted any options for any of its securities;

(b) Neither Fugazy nor any Subsidiary has discharged or satisfied any lien or encumbrance or paid any obligation or liability other than (i) liabilities reflected

on the Balance Sheet, or liabilities incurred since the date of the Balance Sheet in the ordinary course of business, or referred to in any Schedule heretofore delivered to Diners pursuant to this Agreement, and (ii) obligations and liabilities in connection with this Agreement and the transactions it contemplates;

(c) Except for the pledge of accounts receivable to Travel Credit Corporation (which accounts will be released at or prior to the Closing, as provided in Section 9.8 hereof, neither Fugazy nor any Subsidiary has mortgaged, pledged, or subjected to lien, or sold or disposed of, or purchased or acquired, or made or amended any contracts or commitments for the sale, disposal, purchase or acquisition of, any assets, tangible or intangible, except transactions in the ordinary course of business and this Agreement;

(d) Neither Fugazy nor any Subsidiary has cancelled any debts or claims, except in the normal and ordinary course of business;

(e) Neither Fugazy nor any Subsidiary has entered into any transaction of any kind except in the normal and ordinary course of business;

(f) Neither Fugazy nor any Subsidiary has incurred any contingent obligation, by way of guaranty, endorsement, indemnity, warranty or otherwise;

(g) Fugazy and each Subsidiary has continued to conduct its business, maintain its properties, and keep its books and records in its usual manner, and neither Fugazy nor any subsidiary has been a party to any merger or consolidation except as provided in this agreement;

(h) The business and properties of Fugazy and its Subsidiaries taken as a whole have not suffered any change or changes (including damage, destruction or loss, whether or not insured) having a material adverse effect on that business or those properties taken as a whole, and the financial condition of Fugazy and its Subsidiaries taken as a whole has not suffered any change or changes having a

material adverse effect on that financial condition; and, except in the ordinary course of business, neither Fugazy nor any Subsidiary has entered into or amended any contracts or commitments, or incurred any liabilities or obligations, except this Agreement and the liabilities and obligations arising out of it and out of the transactions it contemplates;

(i) Neither Fugazy nor any Subsidiary has made any commitment or incurred any liability to any labor union or organization, or granted any general increase in wage or salary rates except as required by collective bargaining, granted any increase in salary or in employment or retirement benefits to any officers, entered into any employment contract in excess of $1,500 per annum in the aggregate, or accrued or paid any bonus or similar payment; and

(j) No amendment has been made in either the Certificate of Incorporation or By-Laws of Fugazy or any of its Subsidiaries.

2.17. Litigation. Except as set forth in a schedule (Schedule 9), signed by Otto Marx, Jr. and William D. Fugazy, and heretofore delivered to Diners, neither Fugazy nor any Subsidiary is a party or prospective party to any suit, litigation, proceeding or governmental investigation. Neither Fugazy nor any Subsidiary is a party to any pending or threatened suit, litigation or proceeding (whether or not set forth in Schedule 9), which, if adversely determined, would materially and adversely affect the business, operations or property of Fugazy and its Subsidiaries as a whole. There is no outstanding or unsettled claim made or threatened against Fugazy or any Subsidiary which, if adversely determined, would materially and adversely affect the business, operations or property of Fugazy and its Subsidiaries as a whole. Neither Fugazy nor any Subsidiary is in default under any order, judgment, writ or decree of

any court, governmental department, board, bureau, agency or instrumentality, nor, except as is specifically set forth in Schedule 9, is there any order, writ, decree or judgment of any kind in existence enjoining or restraining Fugazy, any Subsidiary, or any officer of either from taking, or compelling same to take, any action of any kind.

2.18. Authority. The execution, delivery and performance of this Agreement by Fugazy, including, without limitation, the sale, conveyance, transfer and delivery contemplated hereby, have been duly and effectively authorized by Fugazy's Board of Directors (subject to the approval of Fugazy's shareholders, as referred to in Section 4.2 hereof). Fugazy has the right and power to enter into this Agreement and to perform the same, and neither the execution nor the performance of this Agreement nor the consummation of the transactions contemplated hereby has resulted or will result in the breach of any term or provision of, or constitute a default under, any provision of Fugazy's certificate of incorporation or by-laws, or any agreement, instrument or other restriction to which Fugazy or any Subsidiary is a party or is bound.

2.19. Fugazy International, S.r.l. Except as is fully reflected on the balance sheet of Fugazy International, S.r.l. a copy of which has heretofore been delivered to Diners as at July 31, 1967, Fugazy International S.r.l. has no material liabilities of any kind.

2.20. Entire Affiliated Fugazy Enterprise to be Acquired. The assets and business to be acquired under this Agreement embrace the entire enterprise and group of

affiliated enterprises of the business of Fugazy, with the exceptions of Fugazy Travel Bureau of Illinois, Inc. and Fugazy Philadelphia, Inc., and, with the exception noted above, Fugazy or a Consolidated Subsidiary, owns all of the shares of any and all Subsidiaries whose business is part of or affiliated with the combined enterprise of Fugazy, and include all enterprises in any way affiliated therewith, and the good will thereof. Except as specifically indicated on any schedule delivered pursuant hereto, there is no property used or required for the future use of such businesses which is not owned by Fugazy, a Consolidated Subsidiary or Fugazy International S.r.l.

2.21 Disclosure. No representation or warranty by Fugazy in this Agreement or in any Schedule or certificate or other document furnished or to be furnished to Diners pursuant hereto, or in connection with the transactions contemplated hereby, contains or will contain any untrue statement of a material fact, or omits or will omit to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading or necessary in order to provide a prospective purchase of the business of Fugazy and its Subsidiaries with proper information as to the business and affairs of Fugazy and its Subsidiaries.

3. Representations and Warranties of Diners. Diners represents and warrants to Fugazy that:

3.1. Organization of Diners. Diners is a corporation duly organized and existing in good standing under the laws of New York, has full corporate power to carry on its business, as it is now being conducted, and to own and operate the properties or assets now owned and operated by it.

3.2. Common Stock. The shares of Common Stock deliverable hereunder, when delivered as provided herein, will be validly issued and outstanding shares of Common Stock of Diners, fully paid and non-assessable.

3.3. Authority. Diners has the right and power to enter into this Agreement and to perform the same. Neither the execution or the performance of this Agreement will result in the breach of any term or provision of, or constitute a default under, any agreement, instrument or or DFT other restriction to which Diners is a party or is bound.

4. Covenants of Fugazy.

Fugazy covenants that:

4.1. Merger of Subsidiaries. It is contemplated that, as of the time of the closing, all of the Consolidated Subsidiaries will have been effectively merged into Fugazy. Fugazy agrees, as promptly as practicable after the execution of this Agreement, to take all such action as may be necessary or appropriate to effectuate such mergers and to vest in Fugazy, as the surviving corporation, as of the Closing, all of the right, title and interest of such Subsidiaries in all of the assets tangible and whatever kind or description.

4.2. Shareholders' Consent. Fugazy agrees that it will as promptly as practicable after the consummation of the mergers referred to in Section 4.1 hereof, obtain the unanimous written consent of all of the holders of all the shares of every class of its outstanding stock to the following:

(a) This Agreement, its execution by Fugazy, and the sale of assets of Fugazy pursuant to this Agreement; and

(b) An amendment to its certificate of incorporation to change the name of Fugazy to some other name which will not include the word "Fugazy" or the word "Travel" or the word "Bureau" or any word similar to any of them, and which will otherwise be satisfactory to Diners, such amendment to take effect upon the consummation of the transactions required by this Agreement to be effected at the time of the Closing.

4.3. Conduct of Business Pending Closing. From the date of this Agreement to the date of the Closing:

(a) Fugazy will not, without prior written approval of Diners, take any action or fail to take any action which would cause the representations and warranties set forth in Article 2 to be untrue with respect to the period from the date of this Agreement to the time of the Closing, except for changes resulting from the transactions contemplated or permitted by this Agreement;

(b) Fugazy will permit representatives of Diners, its legal counsel and Messrs. Touche, Ross, Bailey & Smart, such access to its offices and records and will give to those representatives such information relating to the affairs of Fugazy as the representatives may reasonably request for purposes related to this Agreement;

(c) Fugazy will use its best efforts, consistent with conducting its business in accordance with its own business judgment, to preserve its business organization intact, to keep available to DFT the services of its present officers and employees in order to preserve for DFT the good will of Fugazy's clients, customers, suppliers and others having business relations with it; and

(d) Fugazy will cause each Subsidiary and each Franchiseeto comply with the covenants in this Section 4.3 as fully as though the Subsidiary or the Franchise had made enforceable covenants to the same effect with Diners.

(e) Fugazy will not enter into any franchise or similar agreement except with the prior written approval of Diners.

4.4. Change of Fugazy Name. At or prior to the time of the Closing Fugazy will duly file in New York such documents as may be required changing its name as provided in paragraph (b) of Section 4.2 and at or immediately after the time of the Closing will file such documents as may be

required in all other states where it is qualified to do business as a foreign corporation, either causing its change of name to be made of record or withdrawing its qualification to do business. In addition, Fugazy will take such further action as may be reasonably required by Diners and DFT so that at or immediately after the time of the Closing DFT may file such documents with state authorities as may be required to change DFT's name to some name including the words "Fugazy", "Travel", and "Bureau", or some other name as Diners and DFT shall determine and to qualify DFT to do business as a foreign corporation under such name as may be finally selected in all states in which Fugazy is presently so qualified.

4.5. New Conference Approvals. Fugazy will take all actions requisite in order that, at or prior to the time of the Closing, DFT (and its successor in name) shall be approved by IATA, ATC, TAPC, TPPC, RTPA and all other traffic conferences and associations as to which Fugazy now holds approvals, such approvals to be on a basis no less than those now held by Fugazy, provided, however, that, if under the applicable rules and regulations of any such conference or association, final approval of a transferee of the business of an approved member cannot be obtained prior to the actual transfer, provisional or temporary approval shall be sufficient for purposes of this Section 4.5. Fugazy will also secure at or prior to the time of Closing any necessary consents by the above described traffic conferences and associations to the transfer hereunder of the outstanding stock of Fugazy International S.r.l.

4.6. Interest of Certain Individuals in Travelco Corporations. Otto Marx, Jr., William D. Fugazy and Louis

V. Fugazy (hereinafter referred to as the "Principal Officers") shall, at or prior to the time of the Closing, have divested themselves of, and shall have caused all members of their respective families to divest themselves of, any interest that any of the foregoing may have had, directly or indirectly, in any Franchise, in Travelco, Inc. (Pa.) and in Travelco, Inc. (N.Y.)

4.7 Travelco Option Agreements. (a) With respect to Fugazy's option agreements with Travelco, Inc. (Pa.), dated August 19, 1966, as amended, and with Travelco, Inc. (N.Y.), dated June 19, 1967, as amended, providing for the purchase of the outstanding stock of Fugazy Philadelphia, Inc. and Fugazy Travel Bureau of Illinois, Inc., respectively, Fugazy agrees that it (i) will not consent to any amendment or modification of such option agreements without the prior written consent of DFT and will fully perform, and will not default in, any of the obligations on its part to be performed under such agreements, and (ii) will promptly and diligently pursue any rights that it may have to terminate such agreements upon the respective optionee's breach thereof, or for any other reason.

(b) Fugazy will, at or prior to the closing grant to DFT an irrevocable option in form and substance satisfactory to counsel for Diners to purchase the outstanding stock of Fugazy Philadelphia, Inc. and Fugazy Travel Bureau of Illinois, Inc. upon the expiration or termination of the option with respect to each such Company's stock contained in the respective option agreements referred to above. The purchase price for the exercise of the option with respect to the stock of each such Company shall be $100. Fugazy will notify DFT promptly upon such expiration or termination of the presently outstanding option with respect to each such Company's stock and DFT shall, within 90 days thereafter, have the right to exercise its option with respect to such stock by delivering to Fugazy its check for the option price.

4.8. Chicago Office. Fugazy will cause Fugazy Travel Bureau of Illinois, Inc. to assign its rights as lessee under a lease for space in the Lincoln Tower Building, 75 E. Wacker Drive, Chicago Illinois to Fugazy (and will obtain the necessary consents thereto), which lease will be assigned by Fugazy to DFT at the Closing.

5. Covenants of Diners.

5.1. Organization of DFT. Diners covenants that it will take action so that at or prior to the time of the Closing DFT will be a duly organized corporation under the laws of one of the United States, with corporate power to do all the things to be done by it as provided for herein.

6. Closing.

6.1. Events. The Closing is the time when Diners shall deliver to Fugazy the amount referred to in paragraphs (a) and (b) of Section 1.2(a) and when Fugazy shall transfer its property and assets to DFT in accordance with Article 1.

6.2. Time. The Closing shall take place at 10 A.M., prevailing local time, on October 16, 1967, or on October 30, 1967 if either party notifies the other on or before October 10, 1967 that it desires to extend the Closing to that date.

6.3. Place. The Closing shall take place at the offices of Diners, 10 Columbus Circle, New York, N.Y. 10036.

6.4. Accounting Matters. For convenience of accounting, the transfer of the assets and business of Fugazy hereunder shall be as of the close of business on the day of the Closing.

7. Conditions to the Obligations of Fugazy and Diners. Unless the following conditions are satisfied at the time of the Closing, neither Fugazy nor Diners shall, in the respective discretion of each, be obligated to consummate the transactions contemplated herein:

7.1. Escrow Agreement. The escrow agreement in the form annexed hereto as Exhibit A shall have been executed and exchanged by the parties named thereon.

7.2 Listing. Diners shall have applied for the listing, or for the listing subject to official notice of issuance, on the New York Stock Exchange of the 62,000 shares of Common Stock to be issued by Diners hereunder.

8. Conditions to the Obligations of Fugazy. Unless the following conditions are satisfied at the time of the Closing, Fugazy shall, in its discretion, not be obligated to consummate the transactions contemplated herein:

8.1. Discovery of Misrepresentations, Etc. Fugazy shall not have discovered any material error or misstatement, which in fact exists, or omission in the representations and warranties by Diners in Article 3, and Diners shall have performed and complied with all agreements and conditions to be performed or complied with by it or DFT prior to or at the Closing.

8.2. Representations, Etc., at the Time of the Closing. The facts and conditions represented and warranted by Diners in Article 3 to have existed on the date of this Agreement shall exist, also at the time of the Closing.

8.3. Performance of Covenants. Diners shall have complied with its covenants in Article 5.

8.4. Corporate Actions. All corporate actions shall have been validly and legally taken by the directors and officers of Diners to authorize and make valid the performance by Diners of its obligations hereunder.

8.5. Opinion of Diners' Counsel. Fugazy shall have been furnished with an opinion, dated the day of the Closing, ~~xk~~ satisfactory in substance to Messrs. Kramer, Marx, Greenlee & Backus, by Messrs. Hays, Sklar & Herzberg, to the effect that:

(a) Diners is a corporation duly organized and existing in good standing under the laws of the State of New York.

(b) The shares of Common Stock of Diners to be delivered hereunder will, upon delivery in accordance with the terms hereof, be validly issued, fully paid and nonassessable.

(c) Diners has full power and authority to make, execute, deliver and perform this Agreement, and this Agreement has been duly authorized and approved by proper corporate action of Diners and constitutes the valid and legally binding obligation of Diners in accordance with its terms.

(d) DFT Corp. is a corporation duly organized and existing in good standing under the laws of one of the United States (specifying the State) and has the corporate power to own the properties and assets of Fugazy transferred to it in accordance with this Agreement and to carry on the business carried on by Fugazy.

8.6. Certified Resolutions, Etc. Fugazy shall have been furnished with certified copies of the resolutions of Diners Executive Committee or Board of Directors (a) authorizing the execution, delivery and performance of this Agreement, and the transactions provided for herein and (b) authorizing the issuance and delivery of the 62,000 shares of Common Stock of Diners pursuant to the provisions of this Agreement.

9. Conditions to Obligations of Diners. Unless the following conditions are satisfied at the time of the Closing, Diners shall, in its discretion, not be obligated to consummate the transactions contemplated herein:

9.1. Discovery of Misrepresentations, Etc. Diners shall not have discovered any material error, or misstatement, which in fact exists, or omission in the representations or warranties by Fugazy in this Agreement or in any schedule or other instrument delivered pursuant to this Agreement, and Fugazy, the Subsidiaries, the Franchisees and Fugazy's shareholders shall have performed or complied with all agreements and conditions to be performed or complied with by them, or any of them, prior to or at the Closing.

9.2. Representations, Etc. at the Time of the Closing. The facts and conditions warranted and represented by Fugazy in this Agreement to have existed on the date of this Agreement shall exist, also at the time of the Closing, excepting only changes resulting from transactions contemplated or permitted

by this Agreement.

9,3. Performance of Covenants. Fugazy shall have complied with all its covenants in Article 4.

9.4. Shareholders' and Other Corporate Action; Consents. The shareholders of Fugazy shall have given their consent and approval to the actions referred to in clauses (a) and (b) of Section 4.2. All corporate actions shall have been validly and legally taken by the directors and officers of Fugazy to authorize and make valid the transfer of its property and assets and the performance of its obligations hereunder.

9.5. Approvals. The conference approvals referred to in Section 4.5 shall have been obtained by DFT.

9.6. Investment Letters and Indemnity Agreements. The investment letters referred to in Section 10.1(b) and the indemnity agreements referred to in Section 11.2(b) shall have been delivered to Diners.

9.7. Liftig Release. Diners and DFT shall have received an instrument from Liftig, in form and substance satisfactory to Messrs. Hays, Sklar & Herzberg, wherein Liftig releases Diners and DFT from any claim for any fee, commission or the like in connection with his participation in bringing about this Agreement and the transactions contemplated hereby.

9.8. Arrangement with Travel Credit Corporation. Fugazy shall have made such arrangements with Travel Credit Corporation, in form and substance satisfactory to counsel for Diners, Messrs. Hays, Sklar & Herzberg, in order that all accounts receivable of Fugazy pledged to Travel Credit

Corporation may be delivered to DFT free and clear of any interests therein held by Travel Credit Corporation. Further, Fugazy shall have delivered to Diners, prior to or at the Closing, a certificate of Travel Credit Corporation, in form and substance satisfactory to Messrs. Hays, Sklar & Herzberg, to the effect that it no longer has any interest in such accounts receivable.

9.9 No Legal Proceedings, Etc. No action or proceeding before a court or other governmental body or agency shall be pending or threatened by third parties against Fugazy, Diners or DFT or any of their directors or officers which would result in enjoining and preventing the consummation of the transactions contemplated herein or the imposition of liability in respect thereof. No law or administrative ruling or order shall have been enacted or adopted which, in the opinion of Messrs. Hays, Sklar & Herzberg, would make unlawful or impose any additional burden on the ownership or conduct by Diners, any subsidiary of Diners or DFT of the business or any material part thereof heretofore carried on by Fugazy.

9.10. No Adverse Change. During the period from June 30, 1967 to the Closing there shall have been no adverse change in Fugazy's financial position, assets, liabilities, business, or results of operations. Diners, if it so requests, shall have received letters from Messrs. Touche, Ross, Bailey & Smart and/or J. K. Lasser & Company stating that, in their respective opinions, based upon a limited review (but not an audit) of the latest interim financial

statements and discussions with officers of Fugazy, nothing has come to their attention which in their judgment would indicate that, during the period from June 30, 1967 to a date not more than five days prior to the Closing, there has been any material adverse change in the financial position, assets, liabilities, business or results of operations of Fugazy, including without limitation the withdrawal or threatened withdrawal of any traffic conference or association approval.

9.11. Opinion of Fugazy's Counsel. Diners shall have been furnished with an opinion, dated the day of the Closing, satisfactory in form and substance to Messrs. Hays, Sklar & Herzberg, by Messrs. Kramer, Marx, Greenlee & Backus, to the effect that:

(a) Fugazy is a corporation duly organized and existing in good standing under the laws of the State of New York and has the corporate power to own the property it owns and to carry on the business it carries on, and is duly qualified to do business and is in good standing as a foreign corporation in all jurisdictions in which the character of its properties or the nature of its business makes such qualification by Fugazy necessary;

(b) The Consolidated Subsidiaries have been duly merged into Fugazy and all of the rights and assets of such Consolidated Subsidiaries have been effectively vested in Fugazy;

(c) Fugazy International S.r.l. is duly organized and existing under the laws of the jurisdiction of its incorporation, and neither the character nor the location of its properties nor the nature of the business transacted by it requires its qualification as a foreign corporation in any jurisdiction;

(d) Fugazy is the duly registered owner of all of the capital of Fugazy International S.r.l., and all such capital validly issued, fully paid non-assessable;

(e) Fugazy has full power and authority to make, execute, deliver and perform this Agreement, and this Agreement has been duly authorized and approved by proper corporate action of Fugazy (including the consent and approval of its shareholders) and constitutes the valid and legally binding obligations of Fugazy in accordance with its terms;

(f) Fugazy has the right and power to transfer its property and assets, including its rights in all those contracts listed in Schedules 4, 5 and 6, its agreements with Franchisees and all leases, all in accordance with this Agreement and without the consent of any other party except for such consents as shall have been obtained, and after the transfer, DFT will be fully vested with all the right, title and interest of Fugazy in such property and assets.

(g) All due procedures have been followed in the obtaining by Diners or DFT of the conference approvals referred to in Section 8.5 and such approvals are valid and in good standing; and

(h) They do not know of any litigation or proceeding or governmental investigation, pending or threatened, against or relating to Fugazy or any Subsidiary or their respective businesses or properties or the transactions contemplated by this Agreement, or any legal impediment to the operation by DFT or Fugazy's properties and business in the ordinary course.

Such opinion shall also relate to such other matters relating to this Agreement and the transactions contemplated hereby as reasonably may be required by Diners or its counsel.

Insofar as such opinion relates to or involves matters of law of any jurisdiction other than the United

States or the State of New York, the same may be rendered in reliance upon (or there may be substituted for the same) an opinion or opinions of local legal counsel satisfactory to Messrs. Hays, Sklar & Herzberg, copies of which shall be furnished to Diners.

9.12. Certified Resolutions, Etc. Diners shall have been furnished with certified copies of (a) the resolutions of Fugazy's Board of Directors authorizing the execution, delivery and performance of this Agreement, and the transactions provided for herein, and (b) the resolutions of Fugazy's shareholders with respect to the transactions referred to in clauses (a) and (b) of Section 4.2.

9.13. Officers' Certificate. Diners shall have been furnished with a certificate dated the day of Closing, signed by Fugazy's Chairman of the Board and President, to the effect that the conditions in Sections 9.2 through 9.4, Section 9.8 and Section 9.10 have been complied with and that after reasonable inquiry, they do not believe that any action or proceeding of the kinds described in Section 9.9 is pending or threatened. The certificate shall constitute a representation and warranty by Fugazy that the matters stated therein are true.

9.14 . Legal Matters, Etc. All actions, proceedings, instruments and documents required to effect the transactions provided for in this Agreement, or incidental thereto, and all other related legal matters shall be satisfactory in form and substance to Messrs. Hays, Sklar & Herzberg, and said firm shall have furnished Diners with a favorable opinion covering such matters as Diners may request, which opinion may be based in whole or in part on the opinion of Messrs. Kramer, Marx, Greenlee and Backus furnished pursuant to Section 9.11 and such other legal counsel as Messrs. Hays, Sklar & Herzberg may approve.

9.15 . Interests in Travelco Corporations. Affidavits of the Principal Officers , in form and substance satisfactory to counsel for Diners, to the effect that they and members of their respective families shall have divested themselves of any interest, direct or indirect, that they may have had in any Franchise, in Travelco, Inc. (Pa.) and in Travelco, Inc. (N.Y.), shall have been delivered to Diners.

9.16. Fugazy Travel Bureau, Inc. of Palm Beach County, Florida. Fugazy Travel Bureau, Inc. of Palm Beach County, Florida shall have been dissolved.

9.17. Schedule 7 Consents. The appropriate consents to the assignment and transfer of the agreements listed in Schedule 7, as provided for in Section 2.11, shall have been obtained.

10. Provisions with Respect to the 62,000 Shares of Common Stock.

10.1. Investment Representations.

(a) This Agreement and the issuance of Common Stock by Diners hereunder is made by Diners upon the representation by Fugazy that it is acquiring such Common Stock for investment for its own account and with no present intention of dividing its ownership with others or reselling or otherwise distributing the same and that it will not make any disposition, distribution or transfer of any interest in any of the Common Stock in the absence of an effective registration statement for such shares under the Securities Act of 1933, unless Diners shall have received from its counsel an opinion to the effect that registration is not required under the Act.

(b) Fugazy agrees that at or prior to the Closing it shall deliver, or cause to be delivered, to Diners, from itself and from Liftig, a letter agreement in the form annexed hereto as Exhibit B.

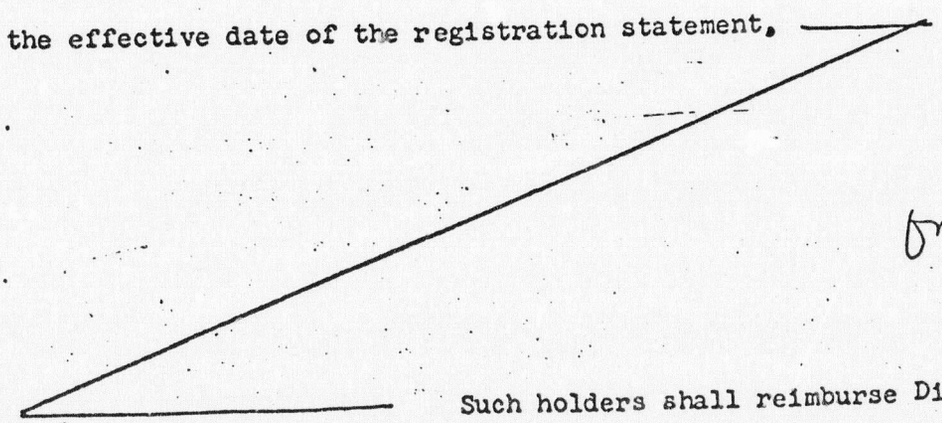
(c) All the Common Stock issued by Diners to Liftig and Fugazy pursuant to this Agreement will be endorsed by Diners with the following legend:

> "This certificate has been issued pursuant to an agreement dated _____, 1967 to which The Diners' Club, Inc. is a party, and may not be sold, assigned or transferred unless and until covered by an effective registration statement under the Securities Act of 1933, as amended, or unless and until Diners receives an opinion from its counsel that such registration is not required."

10.2. Registration.

(a) If, at any time subsequent to January 1,

1968, Diners shall file with the Securities and Exchange Commission a registration statement on Form S-1 with respect only to shares of Common Stock, Diners shall notify the registered holders of any shares bearing the legend provided for in Section 10.1(c) hereof at least 60 days prior to the filing of such registration statement. Each such holder shall have the right to have such shares (but not less than all of such shares held by all such registered holders) included in such registration statement provided all such holders give notice to Diners within 15 days after receipt of notice from Diners, requesting registration of all such shares held by them and stating the intended methods of distribution and, upon payment in advance (or providing security satisfactory to Diners) of an amount sufficient to reimburse Diners for the expenses payable by such holders pursuant hereto; provided, however, that the intended method of distribution by such holders shall not be through the facilities of a national securities exchange, as defined in the Securities Exchange Act of 1934, that any underwriter in the distribution of such shares shall be satisfactory to Diners, that such holders shall have agreed with Diners to complete the disposition of such shares or to withdraw from sale any unsold shares within 40 days after the effective date of the registration statement.



Such holders shall reimburse Diners

for that portion of the expenses of registration (including registration fees, printing costs, auditing and legal fees and other incidental expenses) as the fair market value of such shares being registered for such holders bears to the fair market value of all the shares being registered.

(A) (b) If Diners shall not have filed any such registration statement subsequent to January 1, 1968 and before January 1, 1969, then, provided there are outstanding more than 25,000 shares bearing legend provided for in Section 10.1(c) hereof, the registered holders thereof (but not less than all of them) may, at any time after January 1, 1969, notify Diners that they desire that Diners file such a registration statement, but only with respect to all such shares then owned by all such holders. /Unless Diners shall have received an opinion from its counsel that registration is not required, or if Diners and all such registered holders, together proceeding expeditiously and in good faith after such notice, cannot obtain from the Securities and Exchange Commission a "no-action" letter with respect to the sale of such shares, then Diners shall promptly file a registration statement and use its best efforts to cause such registration statement to become effective. Diners may include in such registration statement such other of its securities as it may desire. Anything to the contrary notwithstanding, Diners need not file any such registration statement until it may lawfully use its regularly prepared fiscal year end financial statements, as a part of such registration statement. The notifying holders shall pay Diners in advance an amount sufficient to reimburse Diners for one-half of all registration fees, printing costs, auditing fees (but only in excess of normal fees paid by Diners for its fiscal year end audit), legal fees and all other incidental out-of-pocket expenses incurred in connection with such registration statement./

(c) Any registration by Diners of shares of Common Stock bearing the legend provided for in Section 10.1(c), whether under paragraph (a) or (b) of this Section 10.2, shall be conditioned upon the holders of such shares delivering to Diners, its officers, directors and any person controlling Diners within the meaning of the Securities Act of 1933 an indemnity agreement, in customary form, indemnifying such persons against liabilities based on untrue statements in or omissions from the registration statement made in reliance on information furnished to Diners by such holders. Diners shall correspondingly indemnify such holders for statements made therein which are furnished by Diners.

(d) Anything herein to the contrary notwithstanding, Diners' obligation to register shares under either paragraph (a) or (b) of this Section 10.2 shall cease and terminate upon the happening of either of the following:

(i) the filing by Diners subsequent to January 1, 1968 of a registration statement on Form S-1 for shares of its Common Stock and its compliance with the provisions of paragraph (a) above with respect thereto, or

(ii) the registration by Diners of its Common Stock pursuant to paragraph (b) above.

(e) For purposes of paragraphs (a) and (b) of this Section 10.2 the shares of Common Stock issued to Liftig pursuant to Section 1.2(b)(i) and any shares of Common Stock held in the Escrow Fund under the Escrow Agreement (but only for so long as such shares are retained in such Fund) shall not be considered "shares outstanding bearing the legend provided for in Section 10.1(c)" and the holders of such shares shall not be entitled to any rights under said paragraphs (a) and (b) with respect thereto.

11. Miscellaneous.

11.1. Survival of Representations, Warranties and Covenants. In addition to the representations and warranties of Fugazy contained this Agreement , all statements contained in any Schedule, certificate, opinion or other document delivered by or on behalf of Fugazy pursuant hereto or in connection with the transactions contemplated hereby shall be deemed representations and warranties by Fugazy herein. All such representations, warranties and covenants shall survive the time of the Closing and any investigation made by or on behalf of Diners.

11.2. Indemnification.

(a) Fugazy and the Principal Officers shall jointly and severally indemnify and hold harmless Diners and DFT against and in respect of losses sustained by either of them by reason of:

(i) The non-collectibility of the Accounts Receivable, Notes Receivable and Investments in and Advances to Franchisees of Fugazy shown on the Closing Statement, in an amount equal to

(A) the amount of Fugazy's Accounts Receivable (less reserve), as shown on the Closing Statement to be delivered pursuant to Section 1.3 hereof, which shall not have been collected by DFT as of December 1, 1967, plus

(B) the amount of each item included under the captions Notes

Receivable and Investments in and Advances to Franchisees, as shown on such Closing Statement, which shall not have been collected by DFT, at its maturity insofar as any such item has a fixed maturity date, or on or before December 1, 1967 insofar as any such item has no fixed maturity date.

(ii) any and all liabilities and obligations of and claims against Fugazy or any of its subsidiaries not expressly assumed by DFT pursuant to this Agreement;

(iii) any and all damage or deficiency resulting from any misrepresentation, breach of warranty or non-fulfillment of any covenant on the part of Fugazy under this Agreement or from any misrepresentation in, or omission from, any certificate, opinion or other instrument furnished or to be furnished to Diners hereunder; and

(iv) any and all actions, suits and proceedings, demands, assessments, judgments, costs and legal and other expenses incident to the foregoing.

Any payments to be made under this Section 11.2 by Fugazy and the Principal Officers shall (before being enforced directly against Fugazy or the Principal Shareholders) be first charged against the $200,000 additional reserve to be established by Diners upon the Closing pursuant to Section 1.3(c), then charged against the aggregate amounts, if any, which have become due and payable to the Principal Officers pursuant to their employment agreements with DFT, and then made out of the Escrow Fund (in the form of Common Stock) held by the Escrow Agent under the Escrow Agreement (to the extent such Common Stock is available).

(b) Fugazy shall cause the Principal Officers to execute and deliver to DFT at the Closing an undertaking in the form attached hereto as Exhibit C, whereby each of them agrees to be bound by the indemnification set forth in paragraph (a) of this Section 11.2.

(c) For purposes of determining the amount of uncollected Accounts and Notes Receivable under paragraphs (a)(i) of this Section 11.2, in any case where a party who is indebted to Fugazy as of September 30, 1967 becomes indebted to DFT on an obligation arising subsequent to that time, all payments received from such debtor shall be applied to the earliest outstanding indebtedness, except (i) where such payment is otherwise clearly identifiable as being applicable to a specific indebtedness, or (ii) where the payment is not so identifiable and has been made on a date when the outstanding indebtedness, as of September 30, 1967, shall have been past due, in which case such payment shall be applied pro rata to the indebtedness outstanding at the time of the Closing and the indebtedness incurred subsequent thereto.

Diners agrees that upon collection in full of the Accounts Receivable, Notes Receivable and Investments in and Advances to Franchisees shown on the Closing Statement, as well, provided that any claims theretofore asserted by DFT or Diners against Fugazy shall have been adjusted in full, return to Fugazy an amount equal to the $200,000 additional reserve established by Diners under Section 1.3(c), less any amounts that may have theretofore been charged against such reserve, as herein provided.

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11.3. Notices. All notices pursuant to this Agreement shall be in writing. A notice to Diners or DFT shall be sufficient in all respects if delivered or mailed, first class postage prepaid to Alfred S. Bloomingdale, Chairman of the Board and President, The Diners' Club, Inc., 10 Columbus Circle, New York, N.Y. 10019, with a copy thereof to Julian L. Weber, Esq., Messrs. Hays, Sklar & Herzberg, 200 Park Avenue, New York, N.Y. 10017. A notice to Fugazy shall be sufficient in all respects if delivered or mailed, first class postage prepaid, to William D. Fugazy, President, Fugazy Travel Bureau, Inc., 488 Madison Avenue, New York, N.Y. 10017, with a copy thereof to Henry M. Marx Esq., Messrs. Kramer, Marx, Greenlee & Backus, 29 Broadway, New York, N.Y. 10005. Either party by notice in writing delivered or mailed to the other may change the name or address or both to which future notices to it shall be delivered or mailed.

11.4. Successors. This Agreement and each of its terms and conditions shall bind and inure to the benefit of the parties hereto and their respective successors and assigns. This Agreement cannot be assigned by either party without the written consent of the other party.

11.5. Brokerage. Diners and Fugazy each represent to the other that there was no broker, finder, agent or other person instrumental in bringing about this Agreement except Liftig, and that no other broker, finder, agent or other person has any connection with the transactions contemplated herein which would entitle him to, or result in, any fee, commission, compensation, charge or claim for damages. Fugazy agrees to indemnify and hold Diners and

DFT harmless against any claims for fees, commissions or the like asserted by Liftig against them or either of them. Diners and Fugazy each represent to the other that no conversations, prior negotiations or other dealings were had with any broker (except, in the case of Fugazy, with Liftig) covering the matters and transactions covered by this Agreement.

11.6. Entire Agreement. This Agreement embodies the entire agreement between the parties with respect to the transactions contemplated herein, and may not be changed in any manner except by a writing signed by the parties hereto.

11.7. Headings. The article, section and other headings contained in this Agreement are for reference purposes only and shall not affect the interpretation or meaning of this Agreement.

11.8. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

11.9. New York Law. This Agreement is being delivered and is intended to be performed in the State of New York and shall be construed and enforced in accordance with the laws of that State.

IN WITNESS WHEREOF, the parties hereto have

respectively caused this Agreement to be executed by their duly authorized officers as of the day and year first written above.

THE DINERS' CLUB, INC.

By Thomas A. Hays
Exec V.P.

Attest:

_____
Secretary

[Seal]

FUGAZY TRAVEL BUREAU, INC.

By Chairman of the Board

Attest:

_____
Secretary

[Seal]

SCHEDULE 1 Pl EXH 6

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PLAINTIFFS' EXHIBIT 6

FUGAZY TRAVEL BUREAU, INC.

SCHEDULE OF SHAREHOLDERS OF RECORD

AS OF SEPTEMBER 25, 1967

	OUTSTANDING SHARES		
	Common Stock ($10 par value)	6% Cum. Pfd. ($20 par value)	6% Cum. Pfd. ($15 par value)
MARX & CO., INC.	4,050 (a)	9,950	666
JOHN SUMMERLIN	450		
THOMAS P. JOHNSON			666
RICHARD L. NEWBURGER			333
BERNICE G. STRAUS			100
SUSAN S. WETMAN			100
LYNN S. JACOBSON			100
JOAN S. SCHWARTZ			100
FREDERICK W. STRAUS			266
DUDLEY C. SHARP			666
TOTAL OUTSTANDING SHARES	4,500	9,950	2,997

(a) Includes 2,250 shares held for the beneficial interest of William and Louis Fugazy; such stock to be distributed after repayment of all obligations of the Company, retirement of the preferred stock and accumulated dividends, and the return of the initial investment in the Company by Marx & Co., Inc.

The above is a true and correct listing of the holders of record of each class of capital stock of Fugazy Travel Bureau, Inc. as of the close of business September 25, 1967.

Otto Marx, Jr., Chairman of the Board

William Denis Fugazy, President

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SCHEDULE 2A

F U G A Z Y T R A V E L B U R E A U, I N C.

SCHEDULE SHOWING BASIC CORPORATE INFORMATION OF CERTAIN WHOLLY-OWNED SUBSIDIARIES (NOT CONSOLIDATED AS OF JUNE 30, 1967)

AS OF SEPTEMBER 25, 1967

	FUGAZY TRAVEL BUREAU OF ILLINOIS, INC.	FUGAZY PHILADELPHIA INC.	FUGAZY INTERNATIONAL S.r.l.
Incorporation	Illinois	Pennsylvania	Italy
ncorporation	February 5, 1959	August 17, 1966	December 2, 1954
tock: rized anding	1000 shs @ $100 p.v. 10 shs	1000 shs @ $10 p.v. 1000 shs	90 shs @ 10,000 lire 90 shs
ers: y Travel Bureau, Inc.	100% (a)	100% (a)	100%
to do business other in place of incorporation	New York	New Jersey	None

ject to option to purchase as described in Section 4 of this agreement.

Otto Marx, Jr., Chairman of the Board

William Denis Fugazy, President

SCHEDULE 1

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FUGAZY TRAVEL BUREAU, INC.

SCHEDULE OF SHAREHOLDERS OF RECORD

AS OF SEPTEMBER 25, 1967

	OUTSTANDING SHARES		
	Common Stock ($10 par value)	6% Cum. Pfd. ($20 par value)	6% Cum. Pfd. ($15 par value)
MARX & CO., INC.	4,050 (a)	9,950	666
JOHN SUMMERLIN	450		
THOMAS P. JOHNSON			666
RICHARD L. NEWBURGER			333
BERNICE G. STRAUS			100
SUSAN S. WETMAN			100
LYNN S. JACOBSON			100
JOAN S. SCHWARTZ			100
FREDERICK W. STRAUS			266
DUDLEY C. SHARP			666
TOTAL OUTSTANDING SHARES	4,500	9,950	2,997

(a) Includes 2,250 shares held for the beneficial interest of William and Louis Fugazy; such stock to be distributed after repayment of all obligations of the Company, retirement of the preferred stock and accumulated dividends, and the return of the initial investment in the Company by Marx & Co., Inc.

The above is a true and correct listing of the holders of record of each class of capital stock of Fugazy Travel Bureau, Inc. as of the close of business September 25, 1967.

Otto Marx, Jr., Chairman of the Board

William Denis Fugazy, President

SCHEDULE 2A

F U G A Z Y T R A V E L B U R E A U, I N C.

SHOWING BASIC CORPORATE INFORMATION OF CERTAIN WHOLLY-OWNED SUBSIDIARIES (NOT CONSOLIDATED AS OF JUNE 30, 1967)

AS OF SEPTEMBER 25, 1967

	FUGAZY TRAVEL BUREAU OF ILLINOIS, INC.	FUGAZY PHILADELPHIA INC.	FUGAZY INTERNATIONAL S.r.l.
ion	Illinois	Pennsylvania	Italy
n	February 5, 1959	August 17, 1966	December 2, 1954
	1000 shs @ $100 p.v. 10 shs	1000 shs @ $10 p.v. 1000 shs	90 shs @ 10,000 lire 90 shs
reau, Inc.	100% (a)	100% (a)	100%
ness other incorporation	New York	New Jersey	None

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tion to purchase as described in Section 4 of this agreement.

Otto Marx, Jr., Chairman of the Board

William Denis Fugazy, President

SCHEDULE 2A

A-(

F U G A Z Y T R A V E L B U R E A U, I N C.

SCHEDULE SHOWING BASIC CORPORATE INFORMATION OF CERTAIN WHOLLY-OWNED SUBSIDIARIES (NOT CONSOLIDATED AS OF JUNE 30, 1967)

AS OF SEPTEMBER 25, 1967

	FUGAZY TRAVEL BUREAU OF ILLINOIS, INC.	FUGAZY PHILADELPHIA INC.	FUGAZY INTERNATIONAL S.r.l.
Place of Incorporation	Illinois	Pennsylvania	Italy
Date of Incorporation	February 5, 1959	August 17, 1966	December 2, 1954
Capital stock:			
Authorized	1000 shs @ $100 p.v.	1000 shs @ $10 p.v.	90 shs @ 10,000 lire
Outstanding	10 shs	1000 shs	90 shs
Shareholders:			
Fugazy Travel Bureau, Inc.	100% (a)	100% (a)	100%
Qualified to do business other than in place of incorporation	New York	New Jersey	None

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(a) Subject to option to purchase as described in Section 4 of this agreement.

Otto Marx, Jr., Chairman of the Board

William Denis Fugazy, President

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BUGGY TRAVEL BUREAU, INC.

SCHEDULE SHOWING BASIS OF CORPORATE ENTITLEMENT OF CERTAIN WHOLLY-OWNED SUBSIDIARIES (CONSOLIDATED AS OF JUNE 30, 1937)

AS OF SEPTEMBER 25, 1937

	Buggy Travel Bureau Inc. of California	Buggy Travel Bureau Inc. of San Francisco	Buggy Travel Bureau Inc. of Dallas, Tex.	Buggy Travel Bureau Inc. of Washington District of Columbia	Buggy Travel Bureau of Orange-Passaic, Inc.	Westbelt Travel Service Inc. of Cleveland	Westbelt Travel Service Inc., of [illegible]	Buggy Travel Service Corp.	[illegible]
Place of Incorporation	California	California	Texas	Columbia	New York	Ohio	New York	New York	[illegible]
Date of Incorporation	3/3/37	3/30/37	4/22/37	7/8/37	5/22/37	9/7/37	10/26/36	6/24/37	[illegible]
Capital Stock:									
Authorized	100 shs ($10 p.v.	2500 shs ($10 p.v.	100 shs ($10 p.v.	100 shs $10 p.v.	200 shs No p.v.	10,000shs $5 p.v.	200 shs No p.v.	200 shs No p.v.	[illegible]
Outstanding	97½ shs	100 shs	100 shs	100 shs	99 shs	1,000shs	99 shs	100 shs	[illegible]
Shareholders:									
Buggy Travel Bureau	100%	100%	100%	100%	100%	100%	100%	100%	[illegible]
Qualified to do business other than place of incorporation	None	None	None	None	None	None	None	Michigan	None

[illegible]

Otto Buggy, Jr., Chairman of the Board

[illegible]

[illegible] Buggy, Jr., President

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SCHEDULE 2C

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FUGAZY TRAVEL BUREAU, INC.

SCHEDULE OF FEDERAL AND STATE TAX RETURNS NOT FILED

AS OF SEPTEMBER 25, 1967

Company	Tax Returns Not Filed For The Years Ended September 30.
FUGAZY TRAVEL BUREAU, INC.	
Consolidated Federal Income Tax Return	1965 and 1966
New York State Franchise Tax	1966
New York City Corporate Income Tax	1966
Ohio Property Tax	1966
Minnesota Income Tax	1966
Pennsylvania Income Tax	1966
FUGAZY TRAVEL BUREAU, INC. OF CALIFORNIA	
California State Franchise Tax	1964, 1965 and 1966
FUGAZY TRAVEL BUREAU, INC. OF SAN FRANCISCO	
California State Franchise Tax	1964, 1965 and 1966
FUGAZY TRAVEL BUREAU, INC. OF DALLAS, TEXAS	
Texas Corporation Franchise Tax	1966
FUGAZY TRAVEL BUREAU, INC. OF ILLINOIS, INC.	
None	
FUGAZY PHILADELPHIA, INC.	
Pennsylvania Income Tax	1966
New Jersey Franchise Tax	1966
FUGAZY TRAVEL BUREAU, INC. OF WASHINGTON, D.C.	
District of Columbia Corporation Franchise Tax	1966
FUGAZY TRAVEL BUREAU, INC. OF ORANGE-ROCKLAND, INC.	
New York State Franchise Tax	1966
New York City Corporation Income Tax	1966
WESTHEIM TRAVEL SERVICE, INC. OF STAMFORD	
Connecticut Corporation Tax	1966
WESTHEIM TRAVEL SERVICE, INC.	
New York State Franchise Tax	1966
New York City Corporation Income Tax	1966
FUGAZY INCENTIVE CORPORATION	
New York State Franchise Tax	1966
TRAVEL, INC.	
District of Columbia Corporation Franchise Tax	1966

SCHEDULE 2C

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PAGE 2.

Tax years opened on Federal Income taxes for all corporation: Fiscal Years ended April 30, 1961, short period May 1, 1961 through September 30, 1961, and Fiscal Years ended September 30, 1962 through 1966.

Otto Marx, Jr., Chairman of the Board

William Denis Fugazy, President

SCHEDULE 2D

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FUGAZY TRAVEL BUREAU, INC.

SCHEDULE OF AUTOMOBILES UTILIZED

PER SECTION 2.6 OF THE CONTRACT

AS OF SEPTEMBER 25, 1967

BRANCH	AUTOMOBILE	STATUS OF USE
New York, New York - 488 Madison Ave.	1967 Lincoln Sedan	Rental
New York, New York - 488 Madison Ave.	1965 Lincoln Sedan	Owned
Detroit, Michigan	1967 Mercury	Courtesy Loan
Detroit, Michigan	1967 Comet Station Wagon	Rental
El Segundo, California	1966 Ford Mustang	Rental
New York, Dial-A-Tour, Inc.	1965 Buick Station Wagon	Owned

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Otto Marx, Jr., Chairman of the Board

William Denis Fugazy, President

SCHEDULE 3

FUGAZY TRAVEL BUREAU, INC.

LIENS AND LIKE ENCUMBRANCES UPON PROPERTIES AND ASSETS, NOT REFLECTED IN THE CONSOLIDATED BALANCE SHEET

AS OF JUNE 30, 1967

NONE

Otto Marx, Jr., Chairman of the Board

William Denis Fugazy, President

SCHEDULE 4

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FUGAZY TRAVEL BUREAU, INC.

SCHEDULE OF BRANCH FRANCHISE AGREEMENTS

AS OF SEPTEMBER 25, 1967

DATE OF AGREEMENT	BRANCH EXECUTIVE	LOCATION
June 17, 1966	LeRoy Martin Griggs	East Orange, N. J.
June 24, 1966	(Bernard Winograd (Morris Winograd	Ridgefield Park, N. J.
June 30, 1966	George Joseph Roy	Syracuse, N. Y.
July 15, 1966	Nicholas Cavagnaro	Great Neck, N. Y.
July 15, 1966	Charles Drucker	Cedarhurst, N. Y.
Aug. 19, 1966, as amd. 2/1/67	Fugazy Philadelphia, Inc.	Philadelphia, Pa.
Aug. 23, 1966	The International Co.	Tel Aviv, Israel
Sept. 7, 1966	Vito E. Luciani	New Haven, Conn.
Sept. 30, 1966	(Lawrence Robbins (Martin Kauffman	White Plains, N. Y.
Oct. 3, 1966	Arthur Mechler	New Orleans, La.
Nov. 10, 1966	Raymond P. Phillips	Schenectady, N. Y.
Nov. 23, 1966	Henry John Yetter	Atlanta, Ga.
Nov. 29, 1966	James F. Richardson	Santa Ana Cal.
Dec. 5, 1966	Palmer Gene Hale	Boston, Mass
Dec. 13, 1966	(Arthur Fredricksen (Ralph S. Lindfors	Forest Hills, N. Y.
Jan. 31, 1967	Joseph A. Fanelli) Albert J. Roloson)	Rochester, N. Y.
Feb. 11, 1967	Aeolian Travel Service	Athens, Greece
Mar. 3, 1967	Max Schwartz	Hartford, Conn.
Mar. 14, 1967	Robert C. Jurgenson	Portland, Me.
April 11, 1967	(William F. Sullivan (Joseph C. Casdin (Edward C. Maher (William A. Dean (Matthew Stepanski (Jerome Collins	Worcester, Mass.
Apr. 14, 1967	Arthur I. Turk	Encino, Cal.
May 17, 1967	William H. Farrell	27 William St., N. Y. C.
June 1, 1967	Willard H. Keland	Miami, Fla.
June 13, 1967	James F. Weidman	Detroit, Mich.
June 19, 1967, as amd. 6/22/67	Fugazy Travel Bureau of Illinois, Inc.	342 Madison Avenue, NYC
July 13, 1967	(Herbert G. Lederman (Norene A. Lederman	Norfolk, Va.
June 19, 1967	Willard H. Keland	Milwaukee, Wisc.
Aug. 3, 1967	Lorraine J. Gendreau	Orlando, Fla.
Aug. 8, 1967	Edward L. Waterman	Wilmington, Del.
Sept. 6, 1967	(James J. Shipley (Leonard Cohan	Cleveland-Akron, Ohio

Otto Marx, Jr., Chairman of the Board

William Denis Fugazy, President

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LOCATION	DESCRIPTION	TERM	RENTAL	MATERIAL PROVISIONS OF LEASE
134 Evergreen Pl. East Orange, N.J.	4 room lobby store in office bldg.	3 years 8/15/66 to 8/14/69	$383.31 monthly	Cancellable at end of first year on 90 days notice and payment of 3 months rent penalty. Assignable only upon landlord's consent. Option to renew for 3 years with rental increase to $416. monthly.
23 Mt. Vernon St. Ridgefield Park,	store front	1 year 9/1/66 to 8/31/67	$150.00 monthly	Option to renew for 2 years at same rental. Cancellable at any time on 30 days notice without penalty.
Midtown Plaza Suite 100 Syracuse, N.Y.	4 room lobby store in office bldg.	3 years 9/15/66 to 9/14/69	$350.00 monthly	Cancellable at end of first year with penalty of 3 months rent. Cancellable thereafter on 90 days notice without penalty. Renewable for 3 years at same rental. Assignable with landlord's consent, which shall not be unreasonably withheld.
425 Northern Blvd. Great Neck, N.Y.	4 room store front shopping center	5 years 10/1/66 to 9/30/71	$291.67 monthly	Cancellable at end of 1st, 2nd, 3rd or 4th year on 30 days notice and 2 months rent as penalty. Assignable with landlord's consent, which shall not be unreasonably withheld.
125 Spruce Street Cedarhurst, N.Y.	3 room ground floor office bldg.	5 years 10/15/66 to 10/14/71	$300.00 monthly	Cancellable at any time (penalty if during first three years) upon 30 days prior written notice. Assignable only upon landlord's consent.
230 S. 15th St. Philadelphia, Pa.	7 rooms 2nd floor office bldg.	5 years 1/1/67 to 12/31/71	$900.00 monthly	Assignable only with landlord's consent. Permission to sub-let all or part of premises for general office purposes.
265 College Street New Haven, Conn.	2 room suite Hotel street & lobby entrance	5 years 11/15/66 to 11/14/71	1st year $250. mo. 2nd year $200. mo. 3/4/5th year $150. mo.	Cancellable at end of first year on 30 days notice without penalty. Cancellable thereafter upon 60 days notice without penalty. Assignable upon landlord's consent which shall not be unreasonably withheld.

BEST COPY AVAILABLE

193 Main Street White Plains, N.Y.	3 room 2nd floor Taxpayer office bldg.	5 years 4/1/68 to 4/29/72	$250.00 monthly	This is a sub-lease. Cancellable on 60 days notice after first ten months on penalty of $375. Assignable with landlord's consent.
Old Trade Mart Blvd. 124 Camp Street New Orleans, La.,	3 room lobby & street entrance office bldg.	3 years 1/1/67 to 2/31/69	$307.92 monthly	Cancellable at end of first year on 30 days notice - penalty 2 months rent. Cancellable thereafter on 60 days notice without penalty. Assignable on landlord's consent which shall not be unreasonably withheld.
Phillips Building 434 State Street Schenectady, N.Y.	3 room upper floor office bldg.	3 years 1/1/67 to 12/31/69	$250.00 monthly	Cancellable at end of first year on 30 days notice without penalty. Cancellable thereafter on 60 days notice without penalty. Assignable with landlord's consent which shall not be unreasonaly withheld. Option to renew for 3 years at same rental.
607 Peachtree St.NE Atlanta, Georgia	store front office bldg.	5 years 3/1/67 to 2/28/72	$275.00 monthly	Cancellable only at end of first year upon 30 days prior written notice. Assignable only upon landlord's consent.
1309 No. Main St. Santa Ana, Calif.	2 room store front office bldg.	1 year 3/1/67 to 2/28/68	$150.00 monthly	Assignable upon landlord's consent.
8 Newbury Street Boston, Mass.	2 room upper floor office bldg.	3 years 4/1/67 to 3/31/70	$185.00 monthly	Cancellable at any time upon payment of penalty. Assignable upon landlord's consent which shall not be unreasonably withheld.
116-55 Queens Blvd. Forest Hills, N.Y.	2 room upper floor taxpayer office bldg.	5 years 4/1/67 to 3/31/72	$250.00 monthly	Cancellable after first year on 60 days prior written notice and payment of one months rent as penalty. Assignable only upon landlord's consent.
3349 Monroe Ave. Pittsford Plaza Rochester, N.Y.	store front shopping center	5 years 6/1/67 to 5/31/72	$300.00 monthly	Cancellable only upon disapproval by airline conferences of appointments and payment of 6 months rent as penalty. Fugazy indemnified by Branch-Executives for rent liability after first year. Assignable upon landlord's consent which shall not be unreasonably withheld.

LOCATION	DESCRIPTION	TERM	RENTAL	[illegible]
179 Allyn Street Hartford, Conn.	3 room suite upper floor office bldg.	5 years 5/1/67 to 4/30/72	$218.17 monthly	Cancellable at end of 1st year upon 30 days prior written notice and 2 months rent as penalty, thereafter at any time upon 30 days notice and 1 months rent as penalty. Assignable upon landlord's consent.
155 High Street Portland, Maine	store front lobby & street entrances Hotel	1 year 5/1/67 to 4/30/68	$150.00 monthly	Cancellable anytime on 60 days notice without penalty.
21 Elm Street Worcester, Mass.	2 room store front tampayer bldg.	3 years 6/1/67 to 5/21/70	$140.00 monthly	Cancellable at end of first year on 30 days notice and 2 months rent as penalty. Cancellable thereafter on 30 days notice and one month rent penalty. Assignable only upon landlord's consent.
16661 Ventura Blvd. Encino, Calif.	3 room upper floor office bldg.	3 years 5/15/67 to 5/14/70	$245.00 monthly	Cancellable during first year upon 30 days prior written notice and penalty of 3 months rent. Cancellable at end of second year without penalty. Assignable only upon landlord's consent. Option to renew for 3 years at $245.80 plus increase proportioned to increase in cost of living index.
27 William Street New York, N.Y.	2 room upper floor office bldg.	3 years 9/1/66 to 9/1/69	$200.00 monthly	Assignable only with landlord's consent.
150 S.E. 2nd Ave. Miami, Florida	3 room upper floor office bldg.	3 years 11/1/66 to 10/31/69	$315.00 monthly	Cancellable at end of first year upon 90 days prior notice and payment of 3 months rent as penalty. Cancellable at end of 2nd year upon payment of 2 months rent as penalty. Renewable for 3 years at same rental. Assignable with landlord's consent, which shall not be unreasonably withheld.

LOCATION	DESCRIPTION	TERM	RENTAL	MATERIAL PROVISIONS OF LEASE
4084 W. Maple Rd. Birmingham, Mich.	4 room store front shopping center	5 years 8/15/67 to 8/14/72	$325.00 monthly	Cancellable at end of first year upon 30 days prior notice and 2 months rent penalty. Cancellable thereafter on 60 days notice and one months rent penalty. Assignable with landlord's consent, which shall not be unreasonably withheld.
342 Madison Ave. New York, N.Y.	large room upper floor office bldg.	10 years 4/ 1/61 to 3/31/71	$916.67 monthly subject to increase proportioned to increase in consumer price index.	Assignable only with landlord's consent.
Bankers Bldg. 208 E. Wisconsin Avenue Milwaukee, Wisc.	4 room upper floor office bldg.	3 years 9/ 1/67 to 8/31/70	$250.00 monthly	Cancellable at any time after end of first year upon 60 days prior notice without penalty. Assignable with landlord's consent. Option to renew for 2 years at increase of rental to $275.00 month.
104 E. Park Ave. S. Winter Park, Fla.,	1000 Sq. Ft. store front	3 years 10/1/67 to 9/30/70	$200.00 monthly	Cancellable at any time after end of first year upon 60 days notice and payment of one month's rent penalty. Assignable with landlord's consent, which shall not be unreasonably withheld.
4500-7B Pembroke Mall Virginia Beach, Virginia	437 sq. ft. store front shopping center	5 years 10/15/67 to 10/14/72	$247.50 monthly	Cancellable at any time after end of first year upon 60 days notice and payment of two month's rent penalty. Assignable with landlord's consent which shall not be unreasonably withheld.
Goldsborough Bldg. 1102 West Street Wilmington, Dela.	700 sq. ft. Ground floor office bldg.	3 years 10/1/67 to 9/30/70	$350.00 monthly	Cancellable on 60 days notice if IATA and ATC approval denied. Assignable after first year with landlord's consent which is not to be unreasonably withheld. Option to renew for two year term at same rental. Option to lease additional area adjacent to office at same basic rental per square feet.

SCHEDULE 2

MATERIAL PROVISIONS OF BRANCH-FRANCHISE AGREEMENTS

BRANCH AGREEMENT	MATERIAL PROVISIONS
East Orange, N.J. Territory: Essex County, New Jersey, including the city of Newark	1. Term: 6 years, automatically extended for successive renewal term of 2 years unless either party decides to terminate at end of original or renewal term by 6 months prior written notice. 2. Fugazy agrees to advance $10,000 for working capital subject to reimbursement out of gross earnings and, in any event, by Branch-Executive within 5 years from the date of the agreement. 3. Branch-Executive limited to draw of $5,000 of gross earnings of Branch during each of the first two years of operations and to a salary of $100.00 per week out of gross earnings during term of agreement. 4. Royalty: 1% of gross billings except during first year from date of agreement (1st six months - no royalty; 2nd six months - ½% of gross billings up to $200,000 and 1% of gross billings in excess of $200,000).
* * * * *	
Ridgefield Park, N.J. Territory: Bergen and Hudson Counties, New Jersey	Same as above for East Orange, N.J. Also option granted to acquire Branch upon full performance of agreement by Branch-Executive.
* * * * *	
Syracuse, N.Y. Territory: Onondaga, Oswego, Jefferson and Cayuga Counties, New York	Same as above for East Orange, N.J.
* * * * *	
Great Neck, N.Y. Territory: Northern Nassau County, N.Y.	Same as above for East Orange, N.J.
* * * * *	

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MATERIAL PROVISIONS

BRANCH AGREEMENT	
Cedarhurst, N.Y. Territory: Southern Nassau County, N.Y.	Same as above for East Orange, N.J. Also option granted to acquire Branch upon full performance of agreement by Branch-Executive.
* * * * *	
Philadelphia, Pa. Territory: Bucks, Chester, Delaware, Montgomery, Philadelphia counties in Pennsylvania and the Greater Camden metropolitan area in New Jersey	1. Option granted to Travelco, Inc., a Pennsylvania corporation, exercisable at any time on or prior to August 1, 1971 to acquire all the capital stock of Fugazy Philadelphia, Inc. which owns and operates the Philadelphia Branch office for purchase price of $325,000, $100,000 down and $225,000 payable over five years. 2. Fugazy Philadelphia agrees to pay Fugazy $45,000 or 25% of gross income, whichever is greater, during each of the first five years of the management agreement, such payments to be credited against Travelco's obligations on promissory notes for $225,000 payable over five years on option purchase. 3. After payment of $225,000 to Fugazy, Fugazy Philadelphia shall pay to Fugazy 1% of its annual gross revenue up to $2,500,000. and ½% of its annual gross revenue in excess of $2,500,000. 4. Fugazy and Travelco agree to advance funds as needed during term of option agreement to Fugazy Philadelphia to meet its obligations to A.T.C. and I.A.T.A.
* * * * *	
New Haven, Conn. Territory: New Haven County, Connecticut	Same as above for East Orange, N.J.
* * * * *	
White Plains, N.Y. Territory: Westchester County, N.Y.	Same as above for East Orange, N.J. Also option granted to acquire Branch upon full performance of agreement by Branch-Executive and to enter into a licensing agreement for territory paying 1% royalty on gross billings.

BRANCH AGREEMENT	MATERIAL PROVISIONS
New Orleans, La. Territory: State of Louisiana and east on Gulf of Mexico to city of Mobile, Alabama	Same as above for White Plains, N.Y.
* * * * *	
Schenectady, N.Y. Territory: Albany, Rennsselaer, Warren, Fulton, Schenectady, Greene and Washington Counties; New York	Same as above for White Plains, N.Y. except Branch-Executive is not obliged to furnish additional capital or refund the doing business advance if capital of Branch is depleted.
* * * * *	
Atlanta, Georgia Territory: Metropolitan Atlanta, including the counties of Fulton, De Kalb, Cobb, Gwennett and Clayton in Georgia	Same as above for White Plains, N.Y. Also consent granted to assignment of agreement to a corporation of which Branch-Executive is principal stockholder.
* * * * *	
Santa Ana, California Territory: Orange County, Calif.	1. Term: 7 years, automatically extended for 2 years renewal terms unless terminated by either party on 6 month notice prior to end of original or renewal term. 2. Branch-Executive allowed a draw of $5,200 during first years of agreement against commissions earned by Branch. (Branch-Executive may terminate and receive $5,200 in any event). 3. Branch-Executive to be charged $42/per week for office facilities provided by Fugazy against his commission account. 4. Branch-Executive granted option to purchase Branch for $10,000 or enter into a licensing agreement paying royalty of 1% of gross billings.

BRANCH AGREEMENT	MATERIAL PROVISIONS
Boston, Mass. Territory: Boston, Mass. except Fogazy may open one additional branch office in greater Boston area.	Same as above for White Plains, N.Y.
* * * * *	
Forest Hills, N.Y. Territory: North Shore of Queens County, New York	Same as above for White Plains, N.Y.
* * * * *	
Rochester, New York Territory: Seneca, Ontario Wayne, Monroe and Livingston Counties	Same as above for White Plains, N.Y.
* * * * *	
Hartford, Conn. Territory: Hartford County, Conn. and Hampden, Hampshire and Franklin Counties, Massachusetts	Same as above for White Plains, N.Y. except Branch-Executive granted a waiver of royalty payments for entire first year of agreement and a six-month waiver of royalty under the licensing agreement upon Branch-Executive's exercise of option. Licensing term 6 years with automatic renewal terms of 2 years terminable upon 6 months written notice by either party prior to end of original or renewal term.
* * * * *	
Portland, Maine Territory: The State of Maine	Same as above for White Plains, N.Y.

BRANCH AGREEMENT	MATERIAL PROVISIONS
Worcester, Mass. Territory: Worcester County and the town of Natick and Framingham, Mass.	1. Term: 10 years automatically extended for renewal terms of 2 years unless either party terminates by 6 months' prior notice at end of original or renewal term. 2. Royalty payment waived for entire first year of agreement, thereafter 1% of gross billings (Group tours, D.I.T.'s and F.I.T.'s, wholesale packages arranged directly through Fugazy are not included in gross billings). 3. Consent granted to assignment of rights and interests of Branch-Executive to local corporation without releasing Branch-Executive of personal liabilities and obligations under the agreement. 5. Option granted to Branch-Executive or local corporation to purchase Branch and enter into a licensing agreement paying Fugazy a royalty of 1% of gross billings (Licensing agreement may be terminated by Licensee upon 6 months notice during term).
* * * * *	
Encino, California Territory: San Fernando Valley area of Los Angeles, California	Same as above for White Plains, N.Y. except billings for group tours, D.I.T.'s, F.I.T.'s and wholesale packages arranged through Fugazy are not included in gross billings for royalty payment. Also consent granted to Branch-Executive to assign rights and interests to a local corporation and to sell or assign all or any part of his or its interests under the agreement upon obtaining Fugazy's prior written consent which shall not be unreasonably withheld.
* * * * *	
27 William Street New York City Territory: Manhattan, NYC, south of Canal Street	(see below)
* * * * *	
Miami, Florida	1. Branch-Executive shall furnish all needed working capital for Branch. 2. Royalty of 1% of gross billings payable from date of agreement.

(cont'd)

BRANCH AGREEMENT	MATERIAL PROVISIONS
Territory: Dade, Broward and Palm Beach Counties with proviso that unless Branch produces $100,000 in sales in Palm Beach County during first year of business Fugazy may open another branch office in Palm Beach County.	3. Term: 6 years automatically renewable as provided in White Plains agreement. 4. Consent granted to assignment of agreement (except personal liabilities and obligations) to local corporation and option granted to purchase Branch upon full performance of agreement and enter into a licensing agreement paying Fugazy a royalty of 1% of gross billings (which shall not include group tours, F.I.T.'s, D.I.T.'s and wholesale packages arranged through Fugazy).
	* * * * *
27 William Street New York City Territory: Manhattan, N.Y.C. south of Canal Street	1. Branch Franchise Fee: $50,000, $25,000 down and $25,000 payable over first 4 years of agreement. 2. Term: 10 years automatically extended for 2 years renewal term unless terminated by either party by 6 months prior notice at end of original or renewal terms. 3. Fugazy agrees to advance funds as needed to meet Branch obligations to IATA and ATC, to be repaid with 7% interest by Branch-Executive. 4. Option granted exercisable at any time on or prior to May 17, 1977 to purchase Branch upon full performance of agreement, including payment of 8 promissory notes, each in the sum of $3,125.00 payable 6, 12, 18, 24, 30, 36, 42 and 48 months, respectively, after date of agreement (May 17, 1967), and enter into a licensing agreement paying Fugazy a 1% of gross billings as royalty. 5. Royalty payments waived during first 4 years of agreement (pay-out period for promissory notes).
	* * * * *
Detroit, Michigan Territory: Oakland County, Michigan	1. Branch Franchise Fee: $25,000. Fugazy agrees to advance up to $15,000.00 working capital. 2. Term: 10 years automatically extended for renewal terms of 2 years unless terminated by either party by six months' prior Notice at end of original or renewal term. 3. Royalty provisions same as above for White Plains, N.Y. 4. Option proviso same as above for White Plains, N. Y.

BRANCH AGREEMENT	MATERIAL PROVISIONS
342 Madison Ave. New York City Territory: Manhattan, north of Canal Street, N.Y.C. for retail and commercial travel.	1. Option granted to Travelco, Inc. a New York corporation, (for $250,000, $75,000 down and $175,000 payable over first five years of agreement) exercisable at any time on or prior to June 30, 1972 to purchase all capital sotck of Fugazy Travel Bureau of Illinois, Inc. which owns and operates the 342 Madison Ave. Branch office. 2. Management agreement with Fugazy Illinois for term of 99 years. Fugazy Illinois shall pay Fugazy New York $40,000 per year or 50% of net earnings of Branch, whichever is greater, during eac of first four years of agreements and $15,000 the fifth year of agreement, such payments to be credited against Travelco's obligations on payments due for purchase of option (Travelco executed and delivered to Fugazy New York 5 promissory notes payable 1,2,3,4, and 5 years, respectively, from date of agreement). 3. Royalty payments from Branch waived during first five years of agreement, thereafter Branch shall pay Fugazy a royalty of 1% of gross billings. 4. Branch granted exclusive right to retail and commercial accounts in territory with Fugazy head office at 488 Madison Avenue retaining exclusive right to sell, handle and arrange travel services for groups of 25 persons or more in area.
* * * * *	
Norfolk, Virginia Territory: The Greater Norfolk area of southeastern Virginia	Terms of present standard agreement. Also Branch-Executive or local corporation to which agreement has been assigned pursuant to Paragraph 10 shall have right to sell and assign all or any part of interests in agreement upon Fugazy's prior consent which shall not be unreasonably withheld.
* * * * *	
Milwaukee, Wisconsin Territory: Metropolitan Milwaukee, including Kengsha, Wisc. and Racine County, Wisconsin	No variation from terms of present standard agreement. Same as above for Detroit, Michigan.

BRANCH AGREEMENT	MATERIAL PROVISIONS
Orlando, Florida Territory: Brevard, Orange and Seminole Counties, Florida	Terms of present standard agreement except: 1. Branch-Executive shall draw a salary of $100. per week chargeable to operation expenses. 2. Licensing agreement is automatically renewable unless Licensee is in breach of agreement, and Licensee may terminate licensing agreement by 6 months' prior notice at any time during term of agreement. 3. Fugazy agrees to provide Account-Executive for a minimum of 15 working days from date of agreement through first two months of operation of Branch and for a minimum of four working days during each two-month period of subsequent ten month period of operations of Branch.
* * * * *	
Wilmington, Delaware Territory: State of Delaware and the Elkton area of Maryland and Penns Grove area of New Jersey	Terms of present standard agreement. Also Branch-Executive or local corporation to which interests have been assigned pursuant to Paragraph 10 shall have right to sell or assign all or any part of interests under agreement upon obtaining Fugazy's consent which shall not be unreasonably withheld. Each agreement (Branch-Franchise and Licensing) automatically renewable unless terminated by breach.
* * * * *	
Cleveland-Akron, Ohio Territory: Cuyahoga, Lake, George, Summit, Medina and Loraine Counties, Ohio.	1. Branch Franchise Fee: $40,000. 2. Branch-Executive: Fugazy Travel Bureau of Cleveland, Inc. organized by James J. Shipley and Leonard Cohan, who personally guarantee repayment of "doing business advance" of $20,000 by Fugazy to Branch. 3. Otherwise terms of present standard agreement.

Schedule 4

Branch Agreement	Material Provisions
International Co. (a registered partnership) 9 Herzl Street Tel Aviv, Israel	1. Fugazy appoints International (wholly owned by its Israeli partners) as its exclusive agent and representative for all land arrangements (hotels, sightseeing, land transportation) in Israel. 2. International agrees to pay Fugazy $20,000 and 1% of annual gross receipts in excess of its gross receipts reported to Israeli tax authorities for the year 1966. 3. Fugazy agrees to pay International the actual cost plus 12% for all land arrangements furnished to Fugazy for group, wholesale and religious groups. 4. Agreement is not assignable by either party. 5. International shall obtain liability insurance in the sum of $250,000 naming Fugazy as one of the insureds. 6. Any dispute under the agreement (which shall be governed by New York Law) shall be submitted to the American Arbitration Association. 7. Term of agreement is 20 years.
Aeolian Travel Service 7 Odos Karageorgi Servias Athens 126, Greece	1. Fugazy appoints Aeolian as its exclusive agent and representative for all land, air and sea arrangements in Greece. 2. Aeolian shall hold itself forth as such, using the name "Aeolian Travel Service, Sole and Exclusive Agents and Representatives of Fugazy Travel Bureau, Inc." 3. Aeolian agrees to pay Fugazy $20,000 in drachmas, $10,000 of which is to be deposited in Fugazy's account at the First National City Bank in Athens, the remainder to be paid by Fugazy retaining 50% of any commissions (benefices) due Aeolian from Fugazy until sum is paid. 4. Aeolian shall pay Fugazy 1% of its annual gross receipts in excess of its annual gross receipts for 1966 as reported to Greek tax authorities. 5. Fugazy shall pay Aeolian the actual cost plus 12% of land, sea and air arrangements furnished to Fugazy by Aeolian. 6. Agreement is not assignable by either party. 7. Term of agreement is 20 years. 8. Fugazy agrees to become a wholesaler of Israeli travel as soon as practicable.

Schedule 4B

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BRANCH OFFICE AGREEMENT WITH DONALDSON'S DEPARTMENT STORE, MINNEAPOLIS, MINNESOTA

Fugazy Travel Bureau, Inc. entered into an agreement with Donaldson's Department Store, 601 Nicolet Avenue, Minneapolis, Minnesota, the term of which is automatically renewable on a yearly basis subject to cancellation by either party on 60 days notice, for the operation of a Fugazy branch office within the department store. Fugazy and Donaldson's agree to share equally the net profits and losses of the branch. Donaldson's agrees to provide the space and local telephone service for the branch at its expense and Fugazy agrees to pay all other operating expenses for the branch. Fugazy agrees to indemnify Donaldson's for all losses or claims resulting from the operation of the branch. Fugazy agrees not to open any other branch office in the city of Minneapolis.

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Schedule 5

FUGAZY TRAVEL BUREAU, INC.

LEASE OF REAL PROPERTY FOR HEAD OFFICE (488 Madison Avenue)

AS OF SEPTEMBER 25, 1967

LOCATION	DESCRIPTION	TERM	RENTAL	MATERIAL PROVISIONS OF LEASE
488 Madison Ave. New York, N.Y. (Sublease from Esquire, Inc.)	8000 st. ft. 3rd floor office bldg.	8½ years 10/21/67 to 4/29/70	$3,416.67 monthly subject to escalator provisions with respect to increases or decreases in taxes and labor costs under the terms and conditions of the overlease.	No provision for assignment of this sublease.

9. LEASES OF REAL PROPERTY FOR NON-FRANCHISED BRANCH OFFICES
(Offices wholly owned by Fugazy Travel Bureau, Inc. or Subsidiary)

LOCATION	DESCRIPTION	TERM	RENTAL	MATERIAL PROVISIONS OF LEASE
Airport Imperial Bldg. 999 N. Sepulveda Blvd. El Segundo, Calif. (Lessee: Fugazy Travel Bureau, Inc. of California)	Upper Floor suite Office Bldg.	1 year 1/1/67 to 12/31/67	$325.00 monthly	Assignable only with landlord's consent.
Lincoln Tower Bldg. 75 E. Wacker Drive Chicago Illinois (Lessee: Fugazy Travel Bureau of Illinois, Inc.)	28th floor	3 years 6/1/67 to 5/21/70	$325.00 monthly	Assignable only with landlord's consent. Cancellable at end of first year or thereafter on 45 days notice and payment of two month's rent penalty.
1650 Broadway New York, N.Y. (Lessee: Dial-A-Tour, Inc.)	3 rooms upper floor office bldg.	5 years 2/1/66 to 1/31/71	$1000 monthly	Cancellable on Oct. 31, 1968 on 60 days notice and $2,250 penalty. Assignable only with landlord's consent.
750 Laurentian Blvd. Montreal 9, Quebec Canada	2nd floor Office Bldg.	3 years 12/1/66 to 11/30/69	$271.95 monthly (Canadian Dollars)	Assignable only with landlord's consent. Cancellable during first year on 30 days notice and payment of 3 months rent penalty. Cancellable during second year on 30 days notice and payment of 2 months rent penalty. Cancellable during third year on 30 days notice and payment of one months rent penalty.
2761 East Jefferson Detroit Michigan	Upper Floor Office Bldg.	(No lease. Month to month tenancy at $1,000.00 month rental)		
Piazza S. Maria Beltrade 1 Milan, Italy	(See Addendum)	(Lease is not in our possession. Leased to Fugazy International.)		

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Schedule 5A

A-591

LEASE FOR MILAN OFFICE

The lease for the Milan office of Fugazy International S.r.l. expires in September of each year and is automatically renewed for an additional one year period unless terminated by six months prior notice. The annual rental is 800,000 Lire which is approximately $1,300 (U.S.).

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FUGAZY TRAVEL BUREAU, INC.

Special Contracts Pursuant to Section 2.10 of This Contract

As of September 25, 1967

Management Services Agreement of Fugazy Travel Bureau, Inc. with Fugazy Travel Bureau of Illinois, Inc.

On June 19, 1967 Fugazy Travel Bureau, Inc. (Fugazy New York) entered into a management services agreement with its wholly-owned subsidiary, Fugazy Travel Bureau of Illinois, Inc. (Fugazy Illinois) as a sister agreement to the option agreement entered into between Fugazy Travel Bureau, Inc. and Travelco, Inc., a New York corporation, on that date. The term of the agreement was for 99 years commencing as of June 19, 1966 to and including June 30, 2066. The major provisions of the agreement are as follows:

1. Fugazy Illinois shall have the exclusive right to sell, handle and arrange all travel services in connection with retail and commercial business from any persons in that part of Manhattan, New York City, North of Canal Street and that Fugazy New York shall have the exclusive right to sell, handle and arrange all travel services from any persons within said area for travel arrangements for groups of 25 persons or more for combined air transportation and hotel reservations or other travel services.

2. Fugazy Illinois shall manage and operate, and pay all expenses incurred therefor by the Fugazy branch office at 16 West 46th Street (since moved to 342 Madison Avenue) and remit to Fugazy New York so long as it does not hold its own airline conference appointments the net payments due the airlines at least two (2) business days prior to the date payment is due the airlines.

3. Fugazy Illinois shall maintain sufficient working capital to operate said Fugazy branch office and has agreed to indemnify and hold Fugazy New York harmless against any claims or liabilities incurred by or relating to this branch office.

4. Fugazy New York shall furnish supervisory and consulting services to Fugazy Illinois and shall maintain in full force and effect appointments in IATA, ATC, TAPSC, TPPC and RTPA until and unless such conference appointments have been transferred to Fugazy Illinois.

5. Fugazy New York authorizes Fugazy Illinois to use, and operate under, the trade name "Fugazy Travel Bureau" and the non exclusive right to the use of the Fugazy New York Trade marks, copyright, etc. and the slogan "Established 1870", now and heretofore and hereafter used and identified with the business of Fugazy New York.

6. Fugazy Illinois shall pay to Fugazy New York the sum of $40,000 during each of the first four years of the agreement or 50% of its net earnings during each of those years, whichever is greater, and the sum of $15,000 during the fifth year of the agreement or 50% of net earnings for such year, whichever is greater. Commencing at such time as the aggregate payments hereinabove of Fugazy Illinois equal $175,000, Fugazy Illinois shall pay to Fugazy New York 1% of its gross monthly revenue for the remaining term of the agreement.

7. Fugazy Illinois shall have the right to apply for its own conference appointments in IATA, ATC, TAPSC, TPPC and RTPA at any time after its aggregate payments hereinabove to Fugazy New York equal $175,000.

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FUGAZY TRAVEL BUREAU, INC.

Special Contracts Pursuant to Section 2.10 of This Contract

As of September 25, 1967

Management Contract of Fugazy Travel Bureau, Inc. with Fugazy Philadelphia, Inc.

On August 19, 1966 Fugazy Travel Bureau, Inc. (Fugazy New York) entered into a management agreement with Fugazy Philadelphia, Inc. (Fugazy Philadelphia) as a sister agreement to the Option Agreement entered into on August 15, 1967 between Fugazy New York and Travelco, Inc., a Pennsylvania Corporation, both of which agreements were amended by a letter agreement among the parties dated February 1, 1967. The term of the management agreement is five years subject to extension for an additional five year period providing Fugazy Philadelphia is not in default.

The major provisions of the management agreement as amended are as follows:

1. Fugazy New York shall furnish full supervisory and consulting services to Fugazy Philadelphia in its management and operation of the Fugazy branch office in Philadelphia, Pennsylvania.

2. Fugazy New York shall maintain in full force and effect appointments in IATA, ATC, TAPSC, TPPC and RPTA for the Philadelphia branch office until and unless such appointments are transferred to Fugazy Philadelphia.

3. Fugazy Philadelphia is authorized to use the trade name "Fugazy" and has the non-exclusive right to use Fugazy New York's trademarks, copyrights, etc., now and hereafter used and identified with Fugazy New York's business.

4. Fugazy New York shall not have any other branch office in the following areas: Bucks, Chester, Delaware, Montgomery and Philadelphia counties in Pennsylvania and the Greater Camden Metropolitan Area in New Jersey.

5. Fugazy New York may engage in wholesale operations or in the group and sales incentive fields within the aforesaid territory with respect to the following corporations: Philco Division of Ford Motor Company, Inc.; Scott Paper Corporation; RCA Cherry Hill Hawaiian Trip; RCA Sales Corporation, Indianapolis, Indiana; General Electric (incentive business); and the American Baptist group.

6. Fugazy Philadelphia agrees to maintain at all times sufficient working capital and to pay all expenses incurred in the operation of the Philadelphia branch office and agrees to indemnify and hold Fugazy New York harmless against any claims or liabilities with respect to its management and operations of that office.

7. Fugazy Philadelphia agrees to pay to Fugazy New York the net payments due the airlines for airline tickets sold by the Philadelphia office at least two (2) business days prior to the date payment is due the airlines therefor, so long as Fugazy Philadelphia does not hold its own airline appointments.

8. Fugazy Philadelphia shall pay to Fugazy New York the sum of $45,000 during each of the first five years of the agreement or 25% of the gross income in each of those years, whichever is greater, subject to a credit of $4,200 applicable to each of the payments for said years. Commencing at such time as the aggregate payments hereinabove equal $225,000, Fugazy Philadelphia shall pay to Fugazy New York during each subsequent 12 month period 1% of its gross revenue up to $2,500,000 and ½% of its gross revenue in excess of $2,500,000.

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FUGAZY TRAVEL BUREAU, INC.

SPECIAL CONTRACTS PURSUANT TO SECTION 2.10 OF THIS CONTRACT

AS OF SEPTEMBER 25, 1967

Maisonneuve Lodging, Inc. (Montreal, Canada)

Sub-lease to Dial-A-Tour, Inc. of 20 to 67 apartments for Expo '67 period (May 15, 1967 to October 27, 1967) at basic rentals of $22.50 to $27.00 in Canadian funds per apartment per day ($20. in Canadian funds if unoccupied). Landlord terminated main lease to Maisonneuve Lodging, Inc. on or about July 17, 1967. Maisonneuve Lodging, Inc. has brought suit in Montreal on the contract for $47,327.50.

Les Placements Lyon Ltee (Montreal, Canada)

Lease to Dial-A-Tour Inc. of 2000 rooms at basic rental of $19.00 per room in Canadian funds during Expo '67 period.

Montreal Residences (Montreal, Canada).

Lease to Dial-A-Tour Inc. of 51 rooms at basic rental of $19.00 per room per day in Canadian funds for period from June 15 to September 15, 1967.

The Montreal Beavers Football Club Ltd. (Montreal, Canada)

Lease of 150 rooms to Dial-A-Tour at the Beaver Village motel for the period from April 28, 1967 to October 27, 1967 at basic rental of $22 per room per day in Canadian funds.

Employment contract with Ira Boyar

On May 9, 1967, Dial-A-Tour Inc. entered into an employment contract with Ira Boyar, President of the corporation, agreeing to employ him for a period of two years from the date of the agreement at a salary of $20,000 per year plus 10% of the net profits of the combined wholesale operations of Dial-A-Tour and Fugazy until the deficit of Dial-A-Tour is wiped out and 20% of the net profits of such wholesale operations thereafter.

Long Beach - Diners - Fugazy Contract

On September 20, 1967 the City of Long Beach, California entered into a contract with The Diner's Club, Inc. and Fugazy Travel Bureau, Inc. appointing Diners and Fugazy as its exclusive sales agents for the final cruise of the Cunard ship "Queen Mary" from Southampton to Long Beach. Diners and Fugazy agreed to promote the voyage, and handle all arrangements for the reservation and sale of passenger tickets, concessions, entertainment and shore tours and excursions. City agreed to pay Diners and Fugazy a commission of 20% on the gross ticket sales and 20% of the net revenues from beverage sales, concessions, shore tours and excursions and to reimburse Fugazy for advertising and promotion expenditures as approved to the extent of 100% of the first $100,000 so expended and 75% of the second $100,000 so expended.

There are no labor union agreements, employee welfare, profit sharing, or retirement plans or agreements by Fugazy Travel Bureau, Inc. or any of its subsidiaries or franchises. Fugazy Travel Bureau, Inc. does have a group insurance plan including hospitalization coverage arranged with the John Hancock Mutual Life Insurance Company, the details of which have been heretofore furnished. The plan is available to all employees of Fugazy Travel Bureau, Inc. including the Branch-Executives and employees of the branch offices.

Otto Marx, Jr. Chairman of the Board

William Denis Fugazy, President

SCHEDULE 1

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FUGAZY TRAVEL BUREAU, INC.

SCHEDULE OF SHAREHOLDERS OF RECORD

AS OF SEPTEMBER 25, 1967

	OUTSTANDING SHARES		
	Common Stock ($10 par value)	6% Cum. Pfd. ($20 par value)	6% Cum. Pfd. ($15 par value)
MARX & CO., INC.	4,050 (a)	9,950	666
JOHN SUMMERLIN	450		
THOMAS P. JOHNSON			666
RICHARD L. NEWBURGER			333
BERNICE G. STRAUS			100
SUSAN S. WETMAN			100
LYNN S. JACOBSON			100
JOAN S. SCHWARTZ			100
FREDERICK W. STRAUS			266
DUDLEY C. SHARP			666
TOTAL OUTSTANDING SHARES	4,500	9,950	2,997

(a) Includes 2,250 shares held for the beneficial interest of William and Louis Fugazy; such stock to be distributed after repayment of all obligations of the Company, retirement of the preferred stock and accumulated dividends, and the return of the initial investment in the Company by Marx & Co., Inc.

The above is a true and correct listing of the holders of record of each class of capital stock of Fugazy Travel Bureau, Inc. as of the close of business September 25, 1967.

Otto Marx, Jr., Chairman of the Board

William Denis Fugazy, President

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FUGAZY TRAVEL BUREAU, INC.

Special Contracts Pursuant to Section 2.10 of This Contract

As of September 25, 1967

Option Agreement of Fugazy Travel Bureau, Inc. with Travelco, Inc., a Pennsylvania Corporation.

On August 15, 1966 Fugazy Travel Bureau, Inc. (Fugazy) entered into an option agreement with Travelco, Inc., a Pennsylvania corporation (Travelco) which was amended by a letter agreement on February 1, 1967 among Fugazy, Travelco and Fugazy Philadelphia, Inc. (Fugazy Philadelphia) (the wholly-owned subsidiary of Fugazy which entered into a sister management services agreement on August 19, 1966, also amended by said letter agreement, for the management and operation of the Philadelphia branch office of Fugazy). The major provisions of the option agreement as amended are as follows:

1. Fugazy grants to Travelco an irrevocable option exercisable at any time on or prior to August 31, 1971, to purchase all the then issued and outstanding capital stock of Fugazy Philadelphia.

2. Fugazy and Travelco agree to make loans to Fugazy Philadelphia from time to time to aid its business operations and Travelco agrees therefor to arrange to have available standby funds of not less than $70,000 and to make loans in amounts equal to one half of the amount necessary to enable Fugazy Philadelphia to pay its bills to IATA and to ATC on schedule, it being agreed Fugazy will furnish (loan) the balance of funds necessary to meet such bills.

3. Travelco agrees to pay Fugazy the sum of $325,000 for the option granted under the agreement payable as follows: $100,000 upon execution of the agreement; $225,000 by five installment payments in the sum of $45,000 each payable on August 31, 1967, 1968, 1969, 1970 and 1971, respectively, evidenced by five promissory notes executed and delivered by Travelco to Fugazy, it being understood and agreed that Travelco shall be entitled to a credit against its obligations for installment payments and against its notes equal to the amount of the payments made by Fugazy Philadelphia to Fugazy pursuant to paragraph 8(a) of the Fugazy- Fugazy Philadelphia Management Services Agreement.

4. The capital stock of Fugazy Philadelphia are to be held in escrow by the Schroder Trust Company, 57 Broadway, New York who shall hold such stock as Escrow Agent subject to the terms of the option agreement.

5. Travelco may designate two of the five directors of Fugazy Philadelphia during the term of the option agreement.

6. Agreement is not assignable by Travelco without Fugazy's written consent.

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FUGAZY TRAVEL BUREAU, INC.

Special Contracts Pursuant to Section 2.10 of This Contract

As of September 25, 1967

Option Agreement of Fugazy Travel Bureau, Inc. with Travelco, Inc., a New York Corporation.

On June 19, 1967 Fugazy Travel Bureau, Inc. (Fugazy) entered into an option agreement with Travelco, Inc., a New York corporation, (Travelco) which was amended by a letter agreement on June 22, 1967 between the parties, pursuant to which Travelco obtained an option to purchase all of the issued and outstanding capital stock of Fugazy Travel Bureau, Inc. of Illinois (Fugazy Illinois) (the wholly-owned subsidiary of Fugazy which entered into a sister management service agreement on June 19, 1967 with Fugazy for the management of Fugazy's branch office for that part of Manhattan north of Canal Street). The major provisions of the option agreement as amended are as follows:

1. Travelco obtains an irrevocable option exercisable at any time on or prior to June 30, 1972 to purchase all the then issued and outstanding stock of Fugazy Illinois.

2. Travelco shall pay to Fugazy for the option granted under the agreement the sum of $250,000, pyable as follows: $75,000 upon the execution of the agreement; $175,000 by five installment payments, the first four in the sum of $40,000 each, payable 1, 2, 3 and 4 years, respectively, after the date of said execution, the fifth in the sum of $15,000 5 years after such date, evidenced by the execution and delivery by Travelco to Fugazy of five promissory notes therefor, it being understood and agreed that Travelco will be entitled to a credit against such installment obligations and notes equal to the amounts paid to Fugazy by Fugazy Illinois pursuant to paragraph 8(a) of the Fugazy - Fugazy Illinois Management Services Agreement.

3. If Travelco has not prepaid to Fugazy the sum of $175,000 on or before the date of its exercise of the option, Fugazy shall place all of the issued and outstanding stock of Fugazy Illinois in escrow with the law firm of Kramer, Marx, Greenlee and Backus, 29 Broadway, New York, New York to be held in escrow until the full sum of $175,000 is paid by Travelco.

Schedule 6B

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FUGAZY TRAVEL BUREAU, INC.

Special Contracts Pursuant to Section 2.10 of This Contract

As of September 25, 1967

Exclusive Sales Representative Agreement of Fugazy Travel Bureau, Inc. with Salvatore Cino

On September 9, 1966, Fugazy Travel Bureau, Inc. entered into an exclusive sales representative agreement with Salvatore Cino for a term of seven years automatically renewable for successive terms of seven years unless breached. Mr. Cino paid Fugazy the sum of $5,000 in return for the exclusive right to act as the sales representative of Fugazy for Youth on Tour, (a department of Fugazy for group travel arrangements for younger people) in the Forest Hills, Rego Park area of Queens County, New York. Fugazy agreed to pay Mr. Cino the commissions payable to a sales representative for all youth on Tour travel services sold in his exclusive territory.

SCHEDULE 7

FUGAZY TRAVEL BUREAU, INC.

SCHEDULE OF CONTRACTS REQUIRING CONSENT TO TRANSFER PER SECTION 2.11 OF THE CONTRACT

AS OF SEPTEMBER 25, 1967

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th in Schedules 4 and 5 hereof and the branch franchise agreements set forth in Schedule 4.

each -- Diners -- Fugazy contract of September 20, 1967 and the Fugazy -- Salvatore -Cino contract of September 9, 1966

Otto Marx, Jr., Chairman of the Board

William Denis Fugazy, President

Schedule 8

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FUGAZY TRAVEL BUREAU, INC.

LIST OF CONFERENCE AND ASSOCIATION APPROVALS

AS OF SEPTEMBER 25, 1967

IATA International Air Transport Association
ATC Air Traffic Conference of America
TAPSC Trans-Atlantic Passenger Steamship Conference
TPPC Trans-Pacific Passenger Conference

1. OFFICES WITH FULL APPROVAL OF LISTED CONFERENCES

488 Madison Avenue, New York, N.Y. - IATA, ATC
342 Madison Avenue, New York, N.Y. - IATA, ATC, TAPSC, TPPC
27 William Street, New York, N.Y. - IATA, ATC, TAPSC, TPPC
Philadelphia, Penn. - IATA, ATC, TAPSC, TPPC
Chicago, Illinois - IATA, ATC
Detroit, Michigan - IATA, ATC
El Segundo, California - IATA, ATC, TAPSC
Minneapolis, Minnesota - IATA, ATC
Miami, Florida - ATC
Ridgefield Park, New Jersey - ATC
East Orange, New Jersey - ATC
Syracuse, New York - ATC
Cedarhurst, New York - ATC, TAPSC
Great Neck, New York - ATC
New Haven, Connecticut - ATC
White Plains, New York - ATC
New Orleans, Louisiana - ATC
Schenectady, New York - ATC
Atlanta, Georgia - ATC
Forest Hills, New York - ATC
Boston, Massachusetts - ATC
Rochester, New York - ATC
Hartford, Connecticut - ATC
Portland, Maine - ATC
Santa Ana, California - ATC
Worcester, Massachusetts - ATC
Encino, California - ATC, TAPSC, TPPS
Milan, Italy - IATA
Tel Aviv, Israel - IATA
Dial-A-Tour, Inc. - IATA, ATC,

II. OFFICES APPROVED BY IATA SUBJECT TO REVIEW BY THE IATA AGENCY SUB-COMMITTEE AT ITS FEBRUARY 1968 MEETING

Miami, Florida
Ridgefield Park, N.J.
East Orange, N.J.
Syracuse, N.Y.
Cedarhurst, N.Y.
Great Neck, N.Y.
New Haven, Conn.
White Plains, N.Y.
New Orleans, La.
Schenectady, N.Y.
Atlanta, Ga.
Forest Hills, N.Y.
Boston, Mass.
Rochester, N.Y.
Hartford, Conn.
Portland, Me.
Santa Ana, Calif.
Worcester, Mass.
Encino, Calif.

III OFFICES FOR WHICH APPLICATIONS ARE PENDING FOR IATA AND ATC APPROVAL

Montreal, Canada
Wilmington, Delaware
Virginia Beach, Va.
Birmingham, Michigan
Milwaukee, Wisconsin
Orlando, Florida
~~Cleveland, Ohio~~

Note: All offices listed above are eligible for appointments by the Rail Travel Promotion Agenty (RTPA).

Otto Mark, Jr. - Chairman of the Board

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FUGAZY TRAVEL BUREAU, INC.

SCHEDULE OF PENDING LITIGATION

AS OF SEPTEMBER 25, 1967

TITLE OF ACTION	JURISDICTION	NATURE OF ACTION	AMOUNT IN CONTROVERSY
Actions by the Company:			
Fugazy Travel Bureau, Inc. v. Gene Autry Enterprises	United States District Court Southern District of California	Breach of contracts	$ 40,000.00
Fugazy Travel Bureau, Inc. v. Ernst & Ernst	Supreme Court, New York County	Negligence	167,205.71
Fugazy Travel Bureau, Inc. v. James McCullough et al.	Supreme Court New York County	Accounting for breach of contract	Estimated in excess of 5,000.00
Fugazy Travel Bureau, Inc. v. Aristocrat Inns	Chicago, Illinois	Breach of contract	4,000.00
Actions against the Company:			
Frazier & Washington v. Fugazy Travel Bureau, Inc.	Court of Common Pleas, City of Detroit	Misrepresentation	,310.00
Weinfeld v. Fugazy Travel Bureau, Inc.	Philadelphia, Pennsylvania Pennsylvania	Accounting for breach of contract	Estimated at approximately 5,000.00
Kemwell Automotive Corporation, et al. v. Fugazy Travel Bureau, Inc.	Supreme Court, New York County	Accounting for breach of contract	Estimated at approximately 40,000.00
Carol Lazarus v. Fugazy Travel Bureau, Inc.	Municipal Court, Chicago, Illinois	Breach of employment contract	10,000.00
Claire Craig Oglesby v. Fugazy Travel Bureau, Inc.	Civil Court New York County	Breach of employment contract	2,700.00
Frank Spalino v. Fugazy Travel Bureau, Inc.	Los Angeles, California	Breach of contract	12,000.00
Maisonneuve Lodging, Inc. v. Did-A-Tour	Montreal, Canada	Breach of contract	45,000.00
Mortimer Greenspon v. Fugazy Travel Bureau, Inc.	Montreal, Canada	Breach of contract	18,000.00

Otto Kahn, Jr. Chairman of the Board

William Denis Fugazy, President

SCHEDULE 10

F U G A Z Y T R A V E L B U R E A U, I N C.

LIST OF PROPERTIES, INSURANCE POLICIES, PERSONNEL DATA, ETC. PER SECTION 2.15 OF THE CONTRACT

AS OF SEPTEMBER 25, 1967

ITEMS OF MACHINERY AND EQUIPMENT HAVING A BOOK VALUE IN EXCESS OF $1,000:

a. 2 bookkeeping machines (NCR)

b. 1 check signing machine

c. 2 paper tape "flexowriters" (Friden)

d. 2 air conditioning units

e. 2 copy machines

TRADEMARKS, TRADENAMES, ETC.:

a. Dial-A-Tour - Registered

b. Teens on Tour - Registration pending

INSURANCE POLICIES:

See Schedules 10A and 10B

SALARIES OF CERTAIN OFFICERS AND EMPLOYEES:

See Schedule 10C

BANK ACCOUNTS:

See Schedule 10D

Otto Marx, Jr., Chairman of the Board

William Denis Fugazy, President

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SCHEDULE 10A

FUGAZY TRAVEL BUREAU, INC.

SCHEDULE OF INSURANCE POLICIES IN FORCE

AS OF SEPTEMBER 25, 1967

PURSUANT TO SECTION 2.15(c) of the Contract.

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TELEPHONE: (212) LEXINGTON 2-4228

GILBERT E. O. BELL & CO.
295 MADISON AVE., NEW YORK, N. Y. 10017

RECORD OF INSURANCE

NAME Fugazy Travel Bureau, Inc., Etal.

ADDRESS 488 Madison Avenue - New York, N.Y. 10022

As of
DATE September 30, 1967

EXPIRATION	COMPANY	POLICY NO.	TERM	AMOUNT	COVERAGE	LOCATION	PREMIUM
----	Royal Indemnity Co.	RSA 120678	until cancelled	Statutory	N.Y. Disability Benefits	Above	as audited
5/1/68	" "	RCS 579634	1 yr.	"	Workmen's Compensation	" & states as scheduled	$ 1,390 (estimated)
			TRAVEL AGENTS' ERRORS & OMISSIONS				
1/18/68	Lloyd's	5493	1 yr.	$100,000	$250 deductible clause. Estimated number of passenger days 230,000	Above & states as scheduled	$1,146.88
			FUGAZY INCENTIVE CORP. - TRANSPORTATION FLOATER				
8/21--	Royal Insurance Company, Ltd.	WQT 203445	until cancelled	$5,000	Rate - 5¢ per $100 subject to audit		$ 50.
1/1/68	Insurance Co. of North America	26 91 62	1 yr.	$50,000	Bond issued in favor of Air Traffic Conference of America		$1,000.

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TELEPHONE: (212) LEXINGTON 2-4228

GILBERT E. O. BELL & CO.
295 MADISON AVE., NEW YORK, N. Y. 10017

RECORD OF INSURANCE

NAME FUGAZY TRAVEL BUREAU, INC., ETAL.

ADDRESS 488 Madison Avenue - New York, N.Y. 10022

As of
DATE September 30, 1967

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EXPIRATION	COMPANY	POLICY NO.	TERM	AMOUNT	COVERAGE	LOCATION	PREMIUM
			COMPREHENSIVE CATASTROPHE LIABILITY COVER				
8/16/68	Royal Indemnity Co.	RLA 100659	1 yr.	$1,000,000 excess to underlying coverages	Umbrella Cover - basic deductible $25,000 on uncovered losses as stated in the policy.	Above & Worldwide	$750. Approx.
			FOREIGN COMPREHENSIVE GENERAL LIABILITY POLICY - ALL OPERATIONS				
8/12/67 & Renewal	Royal Insurance Company, Ltd.	WLC 015336	1 yr.	$1,000,000	Aggregate Limit Bodily Injury & Property Damage		$[illegible],000.
			1. 1967 Lincoln - Harrison, N.Y. 2. 1965 " - " " 3. 1966 Ford Mustang - El Segundo, Calif.				
8/23/68	Royal Indemnity Co.	RDG 516450	1 yr.	$300/500,000 $ 100,000 $ 2,000 ACV ACV less $100 deductible	Public Liability Property Damage Medical Payments Comprehensive Collision		$1,676.

TELEPHONE: (212) LEXINGTON 2-4228

GILBERT E. O. BELL & CO.
295 MADISON AVE., NEW YORK, N. Y. 10017

RECORD OF INSURANCE

NAME FUGAZY TRAVEL BUREAU, INC. ETAL.

ADDRESS 488 Madison Avenue - New York, N.Y. 10022

As of
DATE ~~September 30, 1967~~

EXPIRATION	COMPANY	POLICY NO.	TERM	AMOUNT	COVERAGE	LOCATION	PREMIUM
		GROUP ACCIDENTAL DEATH & DISMEMBERMENT COVER WITH PERMANENT TOTAL DISABILITY - WORLDWIDE					
4/14/68	Lloyd's	GEN. 1243	1 yr.	Class I - 12 Executives as listed $82,500 each Class II - 15 Managers & Jr. Executives $27,500 each Class III - 175 All Others $22,000 each Class I - 24 Hour Coverage Class II - Business Travel Only Repatriation $1,000 following death by accident			$2,000.
				DIAL-A-TOUR, INC.			
--	Continental	603619	Until cancelled	Statutory	N.Y.S. Disability Benefits	--	As audited
2/8/68	Travelers	MJ 5432542	1 year	100,300 Public Liability 10,000 Property Damage	Automobile	--	$317.00

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TELEPHONE: (212) LEXINGTON 2-4228

GILBERT E. O. BELL & CO.
295 MADISON AVE., NEW YORK, N. Y. 10017

RECORD OF INSURANCE

NAME FUGAZY TRAVEL BUREAU, INC., ETAL.

ADDRESS 488 Madison Avenue - New York, N.Y. 10022

As of
DATE ~~September 30, 1967~~

EXPIRATION	COMPANY	POLICY NO.	TERM	AMOUNT	COVERAGE	LOCATION	PREMIUM
			SPECIAL OFFICE MULTIPLE PERIL COVER				
1/14/68	Royal Indemnity Co.	WYM 484891	3 yrs.	$ 25,000 $ 10,000 $1,000,000 $ 10,000 Tours subject to policy restrictions	Personal Property Extra Expense Personal Liability Fire Damage Legal Liability	Various locations as listed.	$12,259. Approx.
			COMPREHENSIVE DISHONESTY, DISAPPEARANCE AND DESTRUCTION BOND - FORM C				
4/10/69	Insurance Co. of North America	TDC 2 27 91	3 yrs.	Insuring $100,000 Insuring $ 10,000 Insuring $ 5,000	Agreement I Employees Dishonesty Form C Agreement II Loss Inside Premises Agreement III Loss Outside Premises		$14,785. Approx.

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SCHEDULE 1

FUGAZY TRAVEL BUREAU, INC.

SCHEDULE OF INSURANCE POLICIES ON LIFE OF WILLIAM D. FUGAZY IN FORCE

AS OF SEPTEMBER 25, 1967

POLICY NO.	INSURANCE COMPANY	DATE OF POLICY	TYPE OF POLICY	AMOUNT OF POLICY	BENEFIC
6726256	John Hancock Mutual Life	10/28/58	Life Payable to Age 95	$25,000	Fugazy Trav
7451809	"	4/1/61	"	25,000	"
6651608	"	2/16/58	"	25,000	"
7278639	"	5/13/60	"	25,000	"
19017903	Prudential Ins. Co. of America	8/7/52	Modified Whole Life	15,400	"
20554911	"	8/22/56	"	25,000	"
138074	Liberty Life Insurance Co.	9/3/64-69	Term.	700,000	"
1945-418	The Maccabees	2/1/53	20 Payment Endowment	10,000	"
7533	Loyal American Life Ins. Co.	12/28/63	Life paid up at 95	300,000	"
18-001-011	Prudential Ins. Co. of America	2/17/50	Life	9,600	Joan Fuga

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Otto Marx, Jr., Chairman of the Board

William Denis Fugazy, President

SCHEDULE 10C

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FUGAZY TRAVEL BUREAU, INC.

SCHEDULE OF EMPLOYEES WHOSE CURRENT ANNUAL COMPENSATION IS $10,000 OR MORE

PER SECTION 2.15(d) OF THE CONTRACT

AS OF SEPTEMBER 25, 1967

NAME	POSITION
FUGAZY TRAVEL BUREAU, INC.	
William D. Fugazy	President
Irene C. Fugazy	Treasurer
Louis V. Fugazy	Vice Chairman of the Board
Gilbert Zimmerman	V.P. of Sales
Milton Adler	Assistant Treasurer & Assistant Secretary
Robert H. Phillips	Executive Vice President
James O. Welch	Controller
William Wright	Advertising Manager
Horace G. Craddock	V.P. Special Projects
Elizabeth Van Arnam	Vice President
Leone Von Weiss	Vice President
Joseph D'Agostino	Franchise Sales
Rudolph Feick	Franchise Administrator
Michael Flynn	Franchise Sales
David Lee	Franchise Account Executive
Kieran O'Doherty	Secretary and General Counsel
Robert Skillen	Franchise Sales
Thomas B. Coonerty	V.P. Sales and Marketing
Charles Lloyd	V.P. Incentive Sales
Walker Graham	V.P. Sales Development
DIAL-A-TOUR, INC.	
Ira Boyar	President
Lewis Goetz	Controller
Gerald Kerr	Director of Marketing
David Rubin	Copy Writer
Edward Schwartz	Supervisor - Caribbean
Nageeb Kalid	Supervisor - EXPO '67
Kenneth Rosenberg	Supervisor - Special Groups

No bonuses, percentage compensation and other like benefits were paid to the above persons for the year ended September 30, 1966, nor are payable to the above persons for the year ended September 30, 1967.

Otto Marx, Jr., Chairman of the Board

William Denis Fugazy, President

SCHEDULE 10D

FUGAZY TRAVEL BUREAU, INC.

LIST OF BANK ACCOUNTS AND SAFE DEPOSIT BOXES PURSUANT TO SECTION 2.15(e) OF THE CONTRACT

AS OF SEPTEMBER 25, 1967

BANK	ACCOUNT NUMBER	ACCOUNT DESIGNATION	Authorized Signers
FUGAZY TRAVEL BUREAU, INC.			
Manufacturers Hanover Trust N.Y., N.Y.	065-8-00308	Private account	Officers as listed: William Denis Fugazy, Otto Marx, Jr., Louis V. Fugazy, R. H. Phillips, Irene C. Fugazy, Milton M. Adler
Fidelity Philadelphia Trust Philadelphia, Pa.	06-01-04-7	Phila. Steamship Account	Officers as listed above
Fidelity Philadelphia Trust Philadelphia, Pa.	06-07-90-3	Phila. Regular Account	Officers as listed above
Fidelity Philadelphia Trust Philadelphia, Pa.	06-07-91-1	Phila. Payroll Account	Officers as listed above
Franklin National Bank NY., N.Y.	01-03-688-8	16 W. 46th St., N.Y.C.	Officers as listed above
Chemical Bank New York Trust N.Y., N.Y.	112-010970	N.Y. Payroll Account	Officers as listed above
Bankers Trust Company N.Y., N.Y.	41-163-295	Regular Account	Officers as listed above
Bankers Trust Company N.Y., N.Y.	41-163-586	16 W. 46th St. Branch Account	Officers as listed above
Bankers Trust Company N.Y., N.Y.	41-163-893	In Trust for Trans-Atlantic Passenger Steamship Conference Lines	Officers as listed above

.....continued on page 2

BANK	ACCOUNT NUMBER	ACCOUNT DISIGNATION	Authorized Signers
FUGAZY TRAVEL BUREAU, INC. (Continued)			
Bankers Trust Company N.Y., N.Y.	41-163-885	Meeting Dynamics	Officers as listed on page 1
Bankers Trust Company N.Y., N.Y.	41-164-386	Special Account	William Denis Fugazy Otto Marx, Jr. R. H. Phillips Milton M. Adler
Chemical Bank New York Trust N.Y., N.Y.	112-011381	Regular Account	Officers as listed on page 1
Manufacturers National Bank Detroit, Mich.	100-087-871	Detroit Branch Regular Account	Officers as listed on page 1 and Patricia Lindeman, Branch Mgr.
Manufacturers National Bank Detroit, Mich.	100-087-882	Detroit Branch Payroll Account	Officers as listed on page 1 and Patricia Lindeman, Branch Mgr.
Chemical Bank New York Trust N.Y., N.Y.	066-106-869	Special Account	Otto Marx, Jr. only
Chemical Bank New York Trust N.Y., N.Y.	112-013-600	Crest Tours	Officers as listed on page 1
Toronto Dominion Bank Montreal, Canada	079-4-80497	Montreal Branch Account - Canadian funds	Officers as listed on page 1
Toronto Dominion Bank Montreal, Canada	--	Montreal Branch Account - U.S. funds	Officers as listed on page 1
Barclay's Bank Tel Aviv, Israel	--	Israeli Pound Account	Officers as listed on page 1
First National City Bank Athens, Greece	10-5872	Drachma Account	Officers as listed on page 1 and Page Marx, Secretary

SAFE DEPOSIT BOXES

Chemical New York Trust NY, NY	Box No. 52-229	Milton M. Adler only
Chemical New York Trust NY, NY	Box No. 52-63	Milton M. Adler only

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BANK	ACCOUNT NUMBER	ACCOUNT DESIGNATION	Authorized Signers
FUGAZY TRAVEL BUREAU, INC. OF CALIFORNIA			
Manufacturers Hanover Trust N.Y., N.Y.	065-0-17188	Regular Account	Officers as listed on page 1
First Western Bank Los Angeles, Cal.	0696-00124	Regular Account	Officers as listed on page 1 and Maureen Walsh, Manager
FUGAZY TRAVEL BUREAU OF ILLINOIS, INC.			
Illinois State Bank Chicago, Ill.	128-208-6	Regular Account	Officers as listed on page 1
Bankers Trust Company N.Y., N.Y.	41-163-914	Regular Account	Officers as listed on page 1
National Boulevard Bank Chicago, Ill.	89-376-5	Regular Account	Officers as listed on page 1
FUGAZY INCENTIVE CORPORATION			
Chemical Bank New York Trust N.Y., N.Y.	112-014-364	Regular Account	Officers as listed on page 1
DIAL-A-TOUR INC.			
Franklin National Bank N.Y., N.Y.	023-770-175	Regular Account	R. H. Phillips, Milton M. Adler, Ira Boyar, Horace Craddock, Lewis Goetz
	024-400-913	Beaver Village Reservations	
Bankers Trust Co. N.Y., N.Y.	00-00-6840	Regular Account	Officers as listed above
Chemical Bank New York Trust N.Y., N.Y.	007-028-474	Payroll Account	Officers as listed above
Royal Bank of Canada Toronto, Ontario, Canada	105-109-5652	Regular Account	Officers as listed above

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.....Continued on page 4

BANK	Authorized Signer
FUGAZY INTERNATIONAL S.R.L.	
Banca Ponti Milan, Italy	P. Modesti, Manager only
Banca D'America e D'Italia Milan, Italy	P. Modesti, Manager only

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NOTE: The above schedule does not include bank accounts of franchised branch offices shown separately in Schedule 10D-1

Otto Marx, Jr., Chairman of the Board

William Denis Fugazy, President

FUGAZY TRAVEL BUREAU, INC.

LIST OF FRANCHISE OFFICE BANK ACCOUNTS PURSUANT TO SECTION 2.15(a) OF THE CONTRACT

AS OF SEPTEMBER 25, 1967

BANK	ACCOUNT NUMBER	ACCOUNT DESIGNATION	AUTHORIZED SIGNERS
ATLANTA, GEORGIA			
Trust Co. of Georgia	02-34-930	Regular Account	Officers as listed: William Denis Fugazy, Otto Marx, Jr., Louis V. Fugazy, R. H. Phillips, Irene C. Fugazy, Milton M. Adler and Henry Yetter
BOSTON, MASS.			
National Shawmut Bank of Boston	064-416-1	Regular Account	Officers as listed above, and Palmer Hale
CEDARHURST, N. Y.			
Meadowbrook National Bank	211-30-8443	Regular Account	Officers as listed above, and Charles Drucker
ENCINO, CALIFORNIA			
National Bank of Commerce	01-03567-3	Regular Account	Officers as listed above, and Arthur Turk
EAST ORANGE, N. J.			
National Newark & Essex Bank	058-4-0968-1	Regular Account	Officers as listed above, and Leroy Griggs
FOREST HILLS, N. Y.			
Manufacturers Hanover Trust Co.	105-0-14126	Regular Account	Officers as listed above, and Ralph Lindfors, Arthur Frederickson

....continued on page 2

BANK	ACCOUNT NUMBER	ACCOUNT DESIGNATION	AUTHORIZED SIGNERS
GREAT NECK, N. Y.			
Chase Manhattan Bank	108-1-032433	Regular Account	Officers as listed on page 1, and Nicholas Cavagnaro
HARTFORD, CONN.			
Connecticut Bank and Trust Co.	00-03908-8	Regular Account	Officers as listed on page 1, and Max Schwartz
MIAMI, FLA.			
Pan American Bank of Miami	338-159-364	Regular Account	Officers as listed on page 1 only
NEW HAVEN, CONN.			
First New Haven National Bank	3003-128	Regular Account	Officers as listed on page 1, and Clem Lombardi Vito Luciani Ken Luciani
NEW ORLEANS, LA.			
Whitney National Bank of New Orleans	06-363-625	Steamship Account	Officers as listed on page 1 and Arthur G. Machler
	06-363-610	Regular Account	Officers as listed on page 1 and Arthur G. Machler
PORTLAND, MAINE			
Casco Bank & Trust Co.		Regular Account	Officers as listed on page 1 and Gary Merrill Bob Jurgenson
RIDGEFIELD PARK, N. J.			
Ridgefield Park Trust Co.	0217-0433	Regular Account	Officers as listed on page 1 and Bernard Winograd
ROCHESTER, N. Y.			
Marine Midland Bank & Trust Co.	544-80-954-8	Regular Account	Officers as listed on page 1 and Joseph Fanelli Joseph Roloson
SANTA ANA, CALIFORNIA			
First Western Bank & Trust Co.	0406-01010	Regular Account	Officers as listed on page 1 and James Richardson

....continued on page 3

BANK	ACCOUNT NUMBER	ACCOUNT DESIGNATION	AUTHORIZED SIGNERS
SCHENECTADY, N. Y.			
Mohawk National Bank	11-06-235-0	Regular Account	Officers as listed on page 1 and Edward Corey Raymond Phillips Robert Phillips
SYRACUSE, N. Y.			
Marine Midland Trust Co. of Central New York	208-7086-1-8	Regular Account	Officers as listed on page 1 and Anna L. Roy
WHITE PLAINS, N. Y.			
National Bank of Westchester	020-9742	Regular Account	Officers as listed on page 1 and Martin Kauffman Lawrence Robbins
WILLIAM STREET, N. Y. C.			
Bankers Trust Company	41-164-239	Regular Account	Officers as listed on page 1 and William Farrell William Wander
WORCESTER, MASS.			
Guaranty Bank & Trust Company	4-307-3107	Regular Account	Officers as listed on page 1 and Jerome Collins William Sullivan
342 MADISON AVENUE, N. Y. C.			
Franklin National Bank	001-02518-8	Regular Account	Officers as listed on page 1 and Carmen Rodriguez
Manufacturers Hanover Trust Co.	706500 4440	Steamship Account	Officers as listed on page 1 and Carmen Rodriguez
PHILADELPHIA, PA.			
Fidelity Philadelphia Trust Co.	06-08-10-9	Regular Account	(Officers as listed on page 1 and Jack I. Moses, Jr.
	06-08-09-1	Steamship Account	(Otto Marx, Jr.
	06-08-08-3	Payroll	(Leo Swanson

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....continued on page 4

BANK	ACCOUNT NUMBER	ACCOUNT DESIGNATION	AUTHORIZED SIGNERS
BIRMINGHAM, MICH.			
Birmingham Bloomfield Bank		Regular Account	Officers as listed on page 1 and James F. Weidman
MILWAUKEE, WISC.			
Bay View State Bank		Regular Account	Officers as listed on page 1 and Willard Keland
WILMINGTON, DEL.			
Wilmington Trust Company		Regular Account	Officers as listed on page 1 and E. L. Waterman
VIRGINIA BEACH, VA.			
Seaboard Citizens National Bank		Regular Account	Officers as listed on page 1 and Herbert G. Lederman
ORLANDO, Fla.			
First National Bank at Winter Park		Regular Account	Officers as listed on page 1 and Lorraine J. Gendreau

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Otto Marx, Jr., Chairman of the Board

William Denis Fugazy, President

TT EXH #7

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PLAINTIFFS' EXHIBIT 7

EMPLOYMENT AGREEMENT

Employment Agreement dated the 10th day of October, 1967,. by and between FUGAZY TRAVEL BUREAU, INC. (Delaware) (hereinafter called "DFT"), a wholly-owned subsidiary of The Diners' Club, Inc. (hereinafter called "Diners") and WILLIAM D. FUGAZY (hereinafter called the "Employee").

DFT is acquiring the assets and business of Fugazy Travel Bureau, Inc., a New York corporation (hereinafter referred to as "Fugazy"). Employee has for many years been a key executive employee of Fugazy and DFT wishes to retain the benefit of Employee's services.

Simultaneously herewith Louis V. Fugazy and Otto Marx, Jr. (hereinafter called "Other Employees") are also entering into employment agreements with DFT.

The parties hereto agree as follows:

1. DFT hereby employs the Employee, and the Employee hereby accepts such employment, to serve in an executive capacity for DFT for a period commencing on the Effective Date, as hereinafter defined, and continuing thereafter for three years from such date (such three year period being hereinafter called the "Initial Employment Period"), subject to renewal, at the option of DFT, for two additional one year periods, by notice to Employee within thirty (30) days prior to the expiration of the Initial Employment Period, or any such one year renewal period, and to further renewal from time to time thereafter for such period or periods (which may be at the pleasure of its Board of Directors) as may be mutually agreed upon by DFT and Employee, not to exceed in the aggregate an additional ten (10) years (all renewal periods referred to in this Section 1 up to an aggregate of twelve (12) years being hereinafter collectively called the "Additional Employment Period") and to devote his full time to the business and affairs of DFT with such duties as may be

assigned to him from time to time by the Board of Directors of DFT or Diners. The Employee agrees to serve as an officer or director of DFT or of Diners if requested to do so.

2. In full consideration of the performance of these services and of the other covenants and agreements of the Employee hereunder, DFT will pay to him compensation at the rates and subject to the limitations specified below:

(a) Fixed compensation (i) at the rate of $100,000 per annum for the Initial Employment Period and for each year in which Employee's employment is renewed thereafter, as provided in Section 1, up to a maximum of two (2) years, payable in equal monthly installments, of which $25,000 is intended to cover the expenses (in addition to those expenses which are incurred at the specific request of DFT and which shall be reimbursed by DFT) which it is contemplated that the Employee will meet in the performance of his services hereunder, and (ii) at such rate after the expiration of five (5) years from the Effective Date as may be agreed upon by DFT and Employee from time to time for each such additional period or periods.

(b) Percentage compensation for each fiscal year of DFT or shorter period during the fifteen (15) year period (subject to earlier termination as hereinafter provided) commencing as of the Effective Date, at the rate of (i) 10% of the initial franchise fees received by DFT from the grant of new franchises during each such fiscal year or shorter period or (ii) 8 1/3% of the net profits of DFT for said fiscal year or shorter period, whichever is greater.

Percentage compensation shall be paid as follows subject to the limitations specified below: within fifteen (15) days after the end of each two-month period during each fiscal year or shorter period with respect to which such Percentage Compensation is payable hereunder, DFT shall pay to Employee 10% of the initial franchise fees received by DFT from the grant of new franchises

during such two-month period; and within sixty (60) days after the end of each fiscal year, DFT shall pay to Employee the amount, if any, by which the total percentage compensation payable with respect to such fiscal year exceeds the aggregate amount theretofore paid to Employee for such fiscal year.

Such percentage compensation shall be subject to an aggregate dollar limitation of $1,250,000 and, in addition, to a periodic dollar limitation of $125,000 for each fiscal year of DFT, and a pro rata portion thereof for each shorter period with respect to which such percentage compensation is payable. Subject to the aggregate dollar limitation hereinafter referred to, if the percentage compensation computed as provided above for any applicable period exceeds the periodic dollar limitation for such period, the excess will be paid in the succeeding fiscal year or years until the whole thereof has been paid, provided that the total amount of percentage compensation payable for any such succeeding fiscal year shall not exceed the $125,000 dollar limitation applicable to a fiscal year.

3. For purposes of Section 2:

(a) Initial franchise fees shall mean the initial cash payment received by DFT from any party receiving a franchise from DFT to operate a travel agency under the

Fugazy name, as consideration for the granting of such a franchise. It is understood that the initial cash consideration to be required of each new franchise shall be $25,000, which amount may be changed from time to time by DFT but in no event shall the initial franchise fee, for purposes of this subparagraph (a), be less than $18,750. Anything herein contained to the contrary notwithstanding, DFT shall have the absolute and unreviewable discretion in the selection and approval of new franchisees and nothing herein contained shall in any way limit or restrict DFT's discretion in such matters, including its right, if it so desires, not to grant any additional franchises.

(b) The net earnings of DFT for any fiscal year or portion thereof shall be the net earnings of DFT for such year, or the pro rata amount of such earnings attributable to such shorter period computed without any deduction for percentage compensation paid to the Employee under this Agreement or to the Other Employees under their employment agreements hereinabove referred to and after provision for federal and state income taxes thereon (without

giving effect to any surtax exemption) determined in accordance with generally accepted accounting principles applied on a consistent basis, provided, however, that in the event DFT shall completely withdraw from the business of selling franchises, the earnings attributable to any period subsequent to DFT's withdrawal from such business shall be computed without any deduction for the amortization of good will recorded on the books of DFT in connection with the acquisition of the business and assets being purchased from Fugazy.

(c) It is understood that the net earnings of DFT shall be based solely on the income earned or attributed to the assets and business acquired from Fugazy and retained by DFT, Diners or an affiliated company. If such business is operated as a corporate division, whether because of a merger or consolidation with or into Diners or a subsidiary of Diners, or for any other reason, then the net earnings shall be computed on the basis of the earnings with the adjustments specified above attributable (after proper allocation of income and expenses) to the assets and business purchased pursuant to the Purchase Agreement.

(d) The independent accounting firm employed by DFT as its auditors shall make all computations with respect to the amount of percentage compensation payable hereunder for each fiscal year of DFT and such computations, including any allocation of income and expense which may be necessary under paragraph (c) above.

4. (a) DFT may terminate this agreement and Employee's employment hereunder including his employment as a consultant as hereinafter provided, at any time, upon thirty (30) days prior written notice to Employee, upon Employee's failure or refusal to perform any of the duties and obligations to be performed by him hereunder, or upon any material breach or material default by him of any obligation to be performed by him under or pursuant to any other agreement with DFT or any agreement with Diners, or for any other valid cause. Such notice shall set forth any grounds then known to DFT for such dismissal. Upon such termination DFT shall be relieved of all further obligations hereunder except for the obligation to account to Employee for any amounts due him under this agreement prior to such termination.

(b) Unless terminated earlier under Section 4(a) above, Employee's employment as a full time employee under Section 1 hereof shall terminate at the expiration of the Initial Employment Period (unless continued for the Additional Employment Period as provided for in Section 1 herein) or at the termination of the Additional Employment Period. Except as otherwise provided in Section 4(a) herein, the termination of Employee's employment under this subsection (b) shall not affect his right to receive percentage compensation at the same rate and on the same terms and conditions specified herein. Upon such termination and for so long as he is entitled to such percentage compensation, he shall thereafter serve DFT as a consultant as provided in, and subject to the terms and conditions of, Section 6(c).

(c) In the event that the Employee dies while still in the employ of DFT or while still entitled to percentage compensation, the percentage compensation otherwise payable to him shall be continued to be paid to his estate at the same rate and on the same terms and conditions specified herein.

5. DFT will be entitled to set off and deduct from the percentage compensation payable to the Employee hereunder any amounts due or payable to DFT by the Employee whether under this agreement, any other agreement with DFT or Diners, or otherwise.

6. (a) In consideration of the execution by DFT of this Employment Agreement, theEmployee agrees that for the period set forth in paragraph (b) below, he will not, in any manner, directly or indirectly, engage in the business of providing travel or related services, or licensing or franchising others to provide such services or in any business which competes with any of the fields in which Fugazy is presently engaged and he will not directly or indirectly own, manage, operate, join, control or participate in the ownership, management, operation or control of or be employed by or connected in any manner with, any corporation, firm or business that is so engaged without DFT's prior written consent. For the purposes of the foregoing, Travelco, Inc. (Pa.) and Travelco, Inc. (N.Y.) shall be deemed engaged in the travel business.

(b) The period of Non-Competition referred to in this Section 6 shall commence on the Effective Date and shall terminate (i) in the event this Agreement is terminated under Section 4(a), one (1) year after such termination; and (ii) in the event Employee's employment as a full time employee is terminated under Section 4(b), one year after such termination if DFT elects not tc employ Employee as a consultant as hereinafter provided; and otherwise upon the expiration of the Consultative Period, as hereinafter defined.

(c) If Employee's employment as a full time employee is terminated under Section 4(b) while he is or may be entitled to receive percentage compensation hereunder, Employee shall serve as a consultant for DFT, commencing on

the termination of such full-time employment and subject to earlier termination as hereinafter provided continuing for so long as Employee is or may be entitled to percentage compensation hereunder, unless DFT, prior to the 30th day after Employee's employment as a full-time employee is terminated, notifies Employee of its intention not to so employ him as a consultant. Employee's employment as a consultant may be terminated thereafter at any anniversary of his employment as a consultant upon thirty (30) days notice. For such consultative services Employee shall be paid a consultant's fee, payable monthly, at the rate of $100,000 per annum, for services rendered prior to the expiration of five (5) years from the Effective Date and at the rate of $37,500 per annum for services rendered thereafter. Employee agrees that he will accept such employment as a consultant as herein provided and agrees to devote such time and efforts in a consultative capacity to the business and affairs of DFT as DFT may reasonably require. The period or aggregate periods during which DFT shall employ Employee as a consultant hereunder is referred to herein as the "Consultative Period".

7. Except as DFT may have otherwise specifically agreed to in writing, DFT will, upon the acquisition of the business and assets of Fugazy have, and shall thereafter continue to have, an exclusive right to use the name FUGAZY TRAVEL BUREAU, INC. or any derivation thereof as its corporate name- - - - - - - -

and title and the sole right to use the tradenames "FUGAZY" and "FUGAZY TRAVEL BUREAU" and all of the trademarks, copyrights, heralds, insignias, service marks and trade signs or styles formerly owned by FUGAZY TRAVEL BUREAU, INC. and identified with FUGAZY TRAVEL BUREAU, INC. and the conduct of its business. The Employee acknowledges the exclusive rights of DFT as aforesaid and its rights with respect thereto shall not be affected by the termination of this agreement, Employee's employment hereunder or any other relationship between DFT and Employee. The Employee agrees for himself, his successors and assigns that for 15 years commencing on the Effective Date he and they will not directly or indirectly, whether through members of their families or otherwise, use or permit the use of his own name in connection with or as part of any trademark or trade style or in any other manner to be associated or identified with, any corporation, firm or other business organization, which is engaged in a business similar in any respect to the businesses conducted by DFT during such period. Employee agrees that the remedy at law for breach by him of any of his covenants contained in Section 6 or this Section 7, shall be inadequate and that DFT shall be entitled to injunctive relief. Such covenants shall be independent and separable covenants which shall be enforceable notwithstanding any rights or remedies that Employee may have under any other provision of this or any other agreement.

8. This agreement shall be binding upon and inure to the benefit of the parties hereto and any successors to the business of DFT but neither this agreement nor any rights hereunder may be assigned, pledged or encumbered by Employee without the written consent of DFT. This agreement shall become effective on the date (herein called the "Effective Date") of the acquisition of substantially all the assets and business of FUGAZY by DFT, and in the event DFT does not so acquire the business and assets of FUGACY, this Agreement shall be of no force and effect.

9. This agreement shall be construed and governed in accordance with the laws of the State of New York.

10. Any notice hereunder shall be in writing and shall be delivered personally or by certified mail, return receipt requested, to the respective parties at the respective address of each herein set forth, or to such other address as either party may designate by a notice pursuant hereto:

If to DFT:

c/o The Diners' Club, Inc.
10 Columbus Circle
New York, New York 10036

Attn: Mr. Thomas A. Hays,
Executive Vice President

If to Employee:

at 488 Madison Avenue
New York, N.Y

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

FUGAZY TRAVEL BUREAU, INC. (Delaware)

By Thomas A Hays
Vice President

Employee

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PLAINTIFFS' EXHIBIT 13

1930-19-2

THE DINERS' CLUB, INC.
10 COLUMBUS CIRCLE · NEW YORK, N. Y. 10019

D #46

June 20, 1969

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of The Diners' Club, Inc. will be held at the St. Regis-Sheraton Hotel, Fifth Avenue and 55th Street, New York, New York on Friday, July 18, 1969, at 10:00 A.M., E.D.T., for the following purposes:

To elect directors for the ensuing year and until their successors are elected and qualify.

To consider and act upon a proposal to authorize an amendment to the Certificate of Incorporation to increase the number of shares of Common Stock, $1 par value, which the Corporation shall have authority to issue from 3,500,000 to 5,000,000.

To ratify certain financing transactions between the Corporation and The Continental Insurance Company.

To ratify the appointment by the Board of Directors of Touche, Ross, Bailey & Smart, certified public accountants, as independent auditors of the Corporation for the current fiscal year.

To consider and act upon a resolution submitted by a shareholder with respect to post-annual meeting reports.

To transact such other business as may properly come before the meeting or any adjournment thereof.

Only shareholders of record at the close of business on June 9, 1969 are entitled to receive notice of and to vote at the annual meeting or any adjournment thereof.

By order of the Board of Directors,

PHILIP ADELMAN,
Secretary

Your attention is directed to the Proxy Statement which begins on the reverse side of this notice. If you do not expect to attend the annual meeting in person and wish to have your shares represented, please complete and return the enclosed proxy in the envelope provided, which requires no postage if mailed in the United States.

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PROXY STATEMENT

INTRODUCTION

The enclosed proxy is being solicited by and on behalf of the management of The Diners' Club, Inc. and is subject to revocation by the shareholder at any time before it is finally exercised. As of April 15, 1969, the Corporation had outstanding 2,241,903 shares of Common Stock, entitled to one vote per share. Only shareholders of record at the close of business on June 9, 1969 are entitled to notice of and to vote at the annual meeting.

As of April 15, 1969, Alfred S. Bloomingdale, Chairman of the Board and Chief Executive Officer of the Corporation, owned, of record and beneficially, 276,068 shares of Common Stock, equal to approximately 12% of the total outstanding, and The Continental Insurance Company owned, of record and beneficially, 653,435 of such shares, equal to approximately 29% of the total outstanding. For a discussion of certain financing transactions between the Corporation and Continental since the beginning of the last fiscal year of the Corporation, reference is made to the heading "The Continental Insurance Company" elsewhere in this Proxy Statement. Reference is further made to the ratification proposal concerning two of those financing transactions discussed elsewhere in this Proxy Statement.

ELECTION OF DIRECTORS

A Board of Directors consisting of thirteen directors is to be elected by the shareholders, to hold office until the next annual meeting of shareholders and until their successors have been elected and qualify. The proxy will be voted for the election of the persons named herein, all of whom are now serving as directors of the Corporation. While the management has no reason to believe that any of those named will not be available as a candidate, should such a situation arise the proxy may be voted for the election of other persons as directors.

Name	Principal Occupation or Employment	Director Since	Shares of Common Stock Beneficially Owned April 15, 1969
Jules T. Asch	Senior Executive Vice President—Finance and Corporate Planning and Chairman of the Finance Committee of the Corporation	1965	1,802
Alfred S. Bloomingdale[1]	Chairman of the Board and Chief Executive Officer of the Corporation	1951	276,068[2]
H. Huber Boscowitz[1]	New York Sales Manager, F. N. Burt Company, Inc., Sales representative, New York, New York	1955	6,911[3]
Peter Colefax	Retired; Honorary Chairman of the Board and Director and consultant, American Potash & Chemical Corporation, Manufacturer of chemicals and mineral products, Los Angeles, California	1967	625
George Faunce III[1, 4]	President of the Corporation[5]	1967	106
William D. Fugazy	President of Diners/Fugazy Travel, Inc., a wholly owned subsidiary of the Corporation engaged in the travel business	1968	9,311[6]

Name	Principal Occupation or Employment	Director Since	Shares of Common Stock Beneficially Owned April 15, 1969
Covington Hardee[4]	Partner, Clark, Carr & Ellis, Law firm, New York, New York	1967	106
J. Victor Herd[1, 4]	Chairman of the Board, Chief Executive Officer and Director, The Continental Insurance Company,[7] Property and casualty insurance, New York, New York	1967	107[8]
Harold E. Johnson[1, 4]	Executive Vice President, The Continental Insurance Company,[7] Property and casualty insurance, New York, New York	1967	106
Anthony F. Kopp	President—Credit Card Division of the Corporation[9]	1967	2,294
E. Herrick Low	Vice Chairman of the Board and Director,[10] United California Bank, San Francisco, California	1967	103
David J. Mahoney[1]	President and Director, Norton Simon, Inc., Consumer products, Fullerton, California	1965	103
Edwin C. McDonald[1]	Chairman of the Board, Royal Bank of Canada Trust Co., New York, New York, and Senior Director and Vice President, Royal Bank of Canada, Montreal, Canada	1966	216

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[1] Member, Executive Committee.

[2] Does not include 34,117 shares, in which Mr. Bloomingdale disclaims any beneficial interest, held by Mr. Bloomingdale as custodian for his minor children.

[3] Does not include 4,115 shares, in which Mr. Boscowitz disclaims any beneficial interest, owned by Mr. Boscowitz's wife.

[4] Messrs. Faunce, Hardee, Herd and Johnson were suggested for election as Directors by The Continental Insurance Company in 1967.

[5] Prior to his election as President of the Corporation as of March 25, 1969, Mr. Faunce was, for more than the previous five years, President of Afco Credit Corporation, a wholly owned subsidiary of The Continental Insurance Company engaged in the business of insurance premium financing. Upon his election as President of the Corporation, Mr. Faunce resigned as President, and was elected Chairman of the Board, of Afco Credit Corporation, and he has continued since that time and will continue to serve in that position.

[6] Mr. Fugazy has a 25% beneficial interest in F T Ventures, Inc., which, as of April 15, 1969, owned 58,710 shares of Common Stock of the Corporation. The 9,311 shares shown in the above table as being owned by Mr. Fugazy do not include any shares to which Mr. Fugazy may be entitled upon the liquidation of F T Ventures, Inc., should such liquidation occur. Reference is made to the heading "Fugazy Travel Bureau, Inc." elsewhere in this Proxy Statement for a discussion of the acquisition of substantially all of the assets of the predecessor of F T Ventures, Inc. by Diners/Fugazy Travel, Inc., a wholly owned subsidiary of the Corporation, and of certain post closing matters with respect thereto.

[7] As of April 15, 1969, The Continental Insurance Company owned 653,430 shares of Common Stock of the Corporation, equal to approximately 29% of the total outstanding.

[8] Does not include 107 shares owned by Mr. Herd's wife.

[9] Mr. Kopp is also President of Financial Services, Inc., a wholly owned subsidiary of the Corporation engaged in the custom credit card business.

[10] Mr. Low is also a Director of The Continental Insurance Company.

REMUNERATION OF DIRECTORS AND OFFICERS AND CERTAIN OTHER TRANSACTIONS

Remuneration

The following table states the aggregate direct remuneration for services in all capacities paid by the Corporation and its subsidiaries for the fiscal year ended March 31, 1969, to (a) each director, and each of the three highest paid officers, whose aggregate direct remuneration exceeded $30,000, and (b) all directors and officers of the Corporation as a group:

Name of Individual or Identity of Group	Capacities in Which Remuneration was Received	Remuneration[1]
Alfred S. Bloomingdale	Chairman of the Board, President[2] and Chief Executive Officer	$ 98,442
William D. Fugazy	President[2] and Director, and President of Diners/Fugazy Travel, Inc.	75,000[3]
Jules T. Asch	Senior Executive Vice President—Finance and Corporate Planning[4], Chairman of the Finance Committee and Director	56,981
Thomas A. Hays	Vice Chairman of the Board[5]	55,115[6]
Anthony F. Kopp	President—Credit Card Division[7] and Director, and President of Financial Services, Inc.	46,635
All directors and officers as a group, including those named above (consisting of 35 persons)		965,236[8]

[1] Direct remuneration only. No amounts were distributable with respect to the fiscal year ended March 31, 1969 under the Executive Incentive Compensation Plan. That Plan was discontinued as of the end of such fiscal year.

[2] Mr. Fugazy served as President of the Corporation from April 19, 1968 to February 21, 1969. Mr. Bloomingdale had served as President prior to the date Mr. Fugazy assumed that office and Mr. Bloomingdale again served as President from February 21, 1969 until March 25, 1969, when Mr. Faunce became President.

[3] Pursuant to an employment agreement. In addition, under an agreement dated September 27, 1968, the Corporation paid Mr. Fugazy $60,937 and 9,311 shares of Common Stock of the Corporation. For a discussion of Mr. Fugazy's employment agreement and of the September 27 agreement, reference is made to the heading "Fugazy Travel Bureau, Inc." elsewhere in this Proxy Statement.

[4] Until December 18, 1968, when Mr. Asch assumed his present position, Mr. Asch served as Executive Vice President—Finance of the Corporation.

[5] Mr. Hays served as Executive Vice President of the Corporation until April 19, 1968, at which time he was elected Vice Chairman of the Board. He resigned from all positions with the Corporation as of January 31, 1969.

[6] Pursuant to an employment agreement. On December 18, 1968, Mr. Hays entered into an agreement with the Corporation providing for the termination of his employment as of January 31, 1969 and for his serving the Corporation as a consultant for one year thereafter. The agreement also provided for the exercise by Mr. Hays of certain options previously granted to him under the Corporation's Amended Restricted Stock Option Plan. Reference is made to the heading "Stock Options" elsewhere in this Proxy Statement.

[7] Mr. Kopp was elected President—Credit Card Division as of March 25, 1969. Until May 21, 1969, Mr. Kopp was also Senior Executive Vice President—Operations of the Corporation, having been elected to that position on December 18, 1968. Prior to December 18, 1968, Mr. Kopp was Senior Vice President of the Corporation.

[8] As of March 31, 1969, G. Robert Myers, Executive Vice President—Credit and Collection and Philip Adelman, Senior Vice President—Legal Department and Secretary had employment agreements with the Corporation. Mr. Myers' agreement expires on March 31, 1970 and provides for compensation at the rate of $50,000 per year. Mr. Adelman's agreement expires on June 30, 1970 and provides for compensation at the rate of $54,000 per year through June 30, 1969 and at the rate of $59,000 per year thereafter. In addition, there are provisions in that agreement for payments by the Corporation to or on behalf of Mr. Adelman, either in consultative compensation or in death benefits, of various specified amounts to a maximum of $16,250 per year and for a maximum four year period commencing upon his retirement from active service to the Corporation or upon his death. Reference is made to the heading "Fugazy Travel Bureau, Inc." elsewhere in this Proxy Statement for a discussion of the employment agreement between the Corporation's wholly owned subsidiary, Diners/Fugazy Travel, Inc., and William D. Fugazy.

Fugazy Travel Bureau, Inc.

Acquisition. On October 30, 1967, Fugazy Travel Bureau, Inc. (Delaware), a wholly owned subsidiary of the Corporation (the name of which has since been changed to Diners/Fugazy Travel, Inc.), acquired substantially all of the assets of Fugazy Travel Bureau, Inc. (the name of which was changed to F T Ventures, Inc.) and certain of its subsidiaries in exchange for $3,504,266 in cash (as adjusted), 62,000 shares of Common Stock of the Corporation and the assumption of certain contractual obligations of the seller corporation, principally those under and relating to the franchise agreements of the seller corporation. The closing price of the Common Stock of the Corporation on October 30, 1967 was $36.625 per share.

Of the aforesaid 62,000 shares, 57,000 shares were placed in escrow (subject to release from time to time) as partial security for the Corporation and Diners/Fugazy Travel, Inc. with respect to the non-collectibility of certain accounts and notes receivable of the seller corporation, certain liabilities and obligations of, and claims against, the seller corporation not assumed by Diners/Fugazy Travel, Inc., and certain other matters. William D. Fugazy, his brother Louis V. Fugazy, and Otto Marx, Jr., who were and are officers, Directors and shareholders of the seller corporation, jointly and severally indemnified the Corporation and Diners/Fugazy Travel, Inc. with respect to the foregoing matters.

On May 8, 1968, upon the adjustment of the cash portion of the acquisition consideration, the seller corporation gave its 6% promissory note due March 15, 1971 in the principal amount of $180,352 to Diners/Fugazy Travel, Inc. and the Messrs. Fugazy and Mr. Marx guaranteed all payments under such note.

Employment Agreements. Effective October 30, 1967, William D. Fugazy was employed by Diners/Fugazy Travel, Inc. under an employment agreement having a term of three years, subject to renewal for two additional years at the option of the subsidiary and for further periods, up to ten years, as may be mutually agreed upon by the parties. Mr. Fugazy's employment agreement provided for a basic salary of $75,000 per year (plus $25,000 per year to cover certain expenses) for the initial three year period and for the optional two year period and for percentage compensation, for a maximum period of fifteen years, at the rate of 10% of the initial franchise fees received by the subsidiary or 8⅓% of the net profits of the subsidiary, whichever is greater, subject to a $125,000 per fiscal year limitation and a $1,250,000 aggregate limitation.

Effective at the same time, Diners/Fugazy Travel, Inc. entered into an employment agreement with Louis V. Fugazy which is the same in all respects as the above described employment agreement with William D. Fugazy, including particularly the provision for percentage compensation, except that the basic salary, in the case of Louis V. Fugazy, was $35,000 per year, and an agreement with Otto Marx, Jr. under which Mr. Marx agreed to serve, at the pleasure of the Board of Directors of the subsidiary, as a consultant for up to fifteen years at a basic salary of $6,000 per year. Mr. Marx's employment agreement also provided for percentage compensation for a maximum period of fifteen years, at a rate of 20% of the initial franchise fees received by the subsidiary or 16⅔% of the net profits of the subsidiary, whichever is greater, subject to a $250,000 per fiscal year limitation and a $2,500,000 aggregate limitation.

Post Closing Matters. From time to time between May 8, 1968 and October 1, 1968 all of the shares held in escrow in connection with the acquisition were released to the seller corporation.

On April 19, 1968, when William D. Fugazy became President and a Director of the Corporation, it was agreed that his employment agreement with Diners/Fugazy Travel,

Inc. would remain in effect and, so long as it was in effect, no additional compensation would be paid to Mr. Fugazy by virtue of his positions with the Corporation, except that the Executive Incentive Compensation Plan was amended to provide a 1% distribution for the President of the Corporation.

On June 18, 1968, the Corporation, the Messrs. Fugazy and Mr. Marx and a broker who represented the seller corporation in connection with the acquisition entered into an agreement under which, effective April 1, 1968, the maximum aggregate percentage compensation payable to the Messrs. Fugazy and Mr. Marx under their aforementioned employment agreements was reduced by 5%, from $5,000,000 to $4,750,000, and there were delivered to that broker 2,000 shares of Common Stock of the Corporation in full satisfaction of the obligations to him of the Messrs. Fugazy and Mr. Marx and of the Corporation (including certain obligations of the Corporation to him arising out of unrelated transactions).

On September 27, 1968, the same parties entered into an agreement providing for the elimination of the percentage compensation provisions from the employment agreements of the Messrs. Fugazy and Mr. Marx and, in connection therewith, for the cancellation of the aforementioned $180,352 promissory note. Amendment agreements accomplishing such elimination were executed on October 1, 1968, at which time the note was cancelled. On that date and thereafter, $250,000 in cash and an aggregate of 38,200 shares of Common Stock of the Corporation were delivered to or on behalf of the Messrs. Fugazy and Mr. Marx under the September 27 agreement. Of such 38,200 shares, 37,245 shares were restricted against any disposition for a period of five years, such restrictions being subject to release, to a maximum cumulative extent of 20% per year for the first four of the five years of the restriction period, depending upon sales of franchises by Diners/Fugazy Travel, Inc., and in full at the end of the restriction period; however, at such time any such shares so restricted may be applied in satisfaction of any claims by the Corporation and/or Diners/Fugazy Travel, Inc. under the acquisition agreement or pursuant to the indemnities of the Messrs. Fugazy and Mr. Marx given at the time of the acquisition.

William D. Fugazy resigned as President of the Corporation on February 21, 1969.

Fugazy Continental, Inc. of New York

Fugazy Continental, Inc. of New York, a non-affiliated corporation of which William D. Fugazy is an officer, Director and 50% shareholder, operates a limousine hire and automobile leasing business. On February 3, 1969, the Corporation and Fugazy Continental entered into an agreement, terminable by either party on two months' notice, providing for the offering by Fugazy Continental of long-term automobile leases to Diners Club cardholders. Under the agreement, and subject to the Corporation's credit approval with respect to each lessee, the Corporation will perform all billing and collection services with respect to the rentals provided for in such leases, at a fee of 4% of the gross amount billed each month. The Corporation will not be liable for uncollected rentals on any lease after two months' notice to Fugazy Continental of a delinquency on such lease.

The Continental Insurance Company

6% Junior Subordinated Convertible Debentures Due June 30, 1988. On July 1, 1968 the Corporation entered into an Agreement—6% Junior Subordinated Convertible Debentures with Continental and sold to it, pursuant to such Agreement, its 6% Junior Subordinated Convertible Debentures in the principal amount of $2,500,000, in exchange for and in cancellation of the Corporation's 6¾% Junior Subordinated Notes due October 15, 1968, then outstanding in the principal amount of $2,500,000. Such Debentures mature June 30, 1988 (subject to required annual prepayments of $200,000 each, commencing July 1, 1978, and to certain optional prepayments, some with premium)

and are convertible into Common Stock of the Corporation at any time prior to maturity on a basis, as currently adjusted, of $48.34 face amount of Debentures for each share of Common Stock (subject to further anti-dilution adjustment as hereinafter discussed). Agreement in principle on the foregoing transaction was reached on May 27, 1968. The closing price of the Common Stock of the Corporation on the New York Stock Exchange on May 27, 1968 was $47.00 per share; on July 1, 1968, $52.50 per share.

6% Senior Subordinated Convertible Debentures Due October 1, 1988. On September 27, 1968 the Corporation entered into an Agreement—6% Senior Subordinated Convertible Debentures with Continental and sold to it, pursuant to such Agreement, its 6% Senior Subordinated Convertible Debentures in the principal amount of $5,000,000, at a price of 100% of such principal amount. Such Debentures mature October 1, 1988 (subject to required annual prepayments of $400,000 each, commencing October 1, 1978, and to certain optional prepayments, some with premium) and are convertible into Common Stock of the Corporation at any time prior to maturity on a basis, as currently adjusted, of $55.16 face amount of Debentures for each share of Common Stock (subject to further anti-dilution adjustment as hereinafter discussed). Agreement in principle on the foregoing transaction was reached on the morning of September 16, 1968. The closing price of the Common Stock of the Corporation on the New York Stock Exchange on September 13, 1968 was $54.50 per share; on September 27, 1968, $54.50 per share.

6¼% Senior Subordinated Convertible Debentures Due January 1, 1989. On December 23, 1968 the Corporation entered into an Agreement—6¼% Senior Subordinated Convertible Debentures with Continental and sold to it, pursuant to such Agreement, its 6¼% Senior Subordinated Convertible Debentures in the principal amount of $2,500,000, at a price of 100% of such principal amount. Such Debentures mature January 1, 1989 (subject to required annual prepayments of $200,000 each, commencing January 1, 1979, and to certain optional prepayments, some with premium) and are convertible into Common Stock of the Corporation at any time prior to maturity on a basis, as currently adjusted, of $52.126 face amount of Debentures for each share of Common Stock (subject to further anti-dilution adjustment as hereinafter discussed). Agreement in principle on the foregoing transaction was reached on the morning of November 27, 1968. The closing price of the Common Stock of the Corporation on the New York Stock Exchange on November 26, 1968 was $51.25 per share; on December 23, 1968, $49.00 per share.

$2,500,000 Financing Transaction. On March 28, 1969 the Corporation entered into an Agreement—6½% Junior Subordinated Convertible Debentures with Continental and sold to it, pursuant to such Agreement, its 6½% Junior Subordinated Convertible Debentures in the principal amount of $1,250,000, at a price of 100% of such principal amount. Such Debentures mature March 1, 1989 (subject to required annual prepayments of $100,000 each, commencing March 1, 1979, and to certain optional prepayments, some with premium) and are convertible into Common Stock of the Corporation at any time prior to maturity on a basis, as currently adjusted, of $40.79 face amount of Debentures for each share of Common Stock (subject to further anti-dilution adjustment as hereinafter discussed).

Also on March 28, 1969 the Corporation sold to Continental 37,879 shares of Common Stock at a price of $33.00 per share, or an aggregate of $1,250,007. Continental agreed to purchase such shares for the purpose of investment.

Agreement in principle on the foregoing $2,500,000 financing transaction was reached on February 26, 1969, and on February 28, 1969 the Corporation and Continental entered into an agreement providing for the Agreement—6½% Junior Subordinated Convertible Debentures and the issuance and delivery of the 37,879 shares of Common

Stock, and Continental paid the Corporation an aggregate of $2,500,007 for the Debentures and for the shares of Common Stock. The closing price of the Common Stock of the Corporation on the New York Stock Exchange on February 26, 1969 was $39.25 per share; on March 28, 1969, $30.25 per share. The formula for determining the initial conversion price with respect to such Debentures and the formula for determining the purchase price per share of the Common Stock involved in the foregoing $2,500,000 financing transaction were recommended by an investment banking firm independent of the Corporation and Continental and the determinations thereof were made with reference to the February 26, 1969 closing price.

$10,000,000 Financing Transaction. On March 24, 1969 the Corporation entered into a letter agreement with Continental pursuant to which Continental agreed to purchase from the Corporation, and the Corporation agreed to sell to Continental (a) $2,500,000 aggregate principal amount of 7% Senior Subordinated Convertible Debentures (which were to be, immediately upon issuance, convertible into Common Stock of the Corporation at any time prior to maturity on a basis, as initially established, of $35.20 face amount of Debentures for each share of Common Stock), (b) $2,500,000 aggregate principal amount of 7½% Junior Subordinated Convertible Debentures (which were to be, immediately upon issuance, convertible into Common Stock of the Corporation at any time prior to maturity on a basis, as initially established, of $33.60 face amount of Debentures for each share of Common Stock), each purchase price with respect to such issues of Debentures being 100% of the principal amount thereof, and (c) 181,819 shares of Common Stock, at a purchase price of $27.50 per share, or an aggregate of $5,000,022.50.

The letter agreement required that Continental convert the entire outstanding $2,500,000 principal amount of the Corporation's 5⅜% Junior Subordinated Convertible Debentures due April 1, 1987 held by it into shares of Common Stock, and Continental did so on March 28, 1969, receiving 116,877 shares of Common Stock and $1.36 in cash in lieu of a fractional share.

On April 30, 1969, upon the first closing with respect to the foregoing $10,000,000 financing transaction, the Corporation entered into an Agreement—7% Senior Subordinated Convertible Debentures and an Agreement—7½% Junior Subordinated Convertible Debentures with Continental and sold to it, pursuant to such Agreements, (a) the Corporation's 7% Senior Subordinated Convertible Debentures due May 1, 1989 in the principal amount of $1,250,000, at a price of 100% of such principal amount, (b) the Corporation's 7½% Junior Subordinated Convertible Debentures due May 1, 1989 in the principal amount of $1,250,000, at a price of 100% of such principal amount, and (c) 90,910 shares of Common Stock, at an aggregate price of $2,500,025, which Continental agreed to purchase for the purpose of investment. Such Debentures mature May 1, 1989 (subject to required annual prepayments of $100,000, as to each Debenture, commencing May 1, 1979, and also subject, in each case, to certain optional prepayments, some with premium) and are convertible into Common Stock of the Corporation at any time prior to maturity on a basis, as currently adjusted, of $34.62 face amount of senior Debentures for each share of Common Stock and $ 35.14 face amount of junior Debentures for each share of Common Stock, each such conversion price being subject to further anti-dilution adjustment as hereinafter discussed.

The second and final closing with respect to the foregoing $10,000,000 financing transaction took place on June 3, 1969. At that time the Corporation sold to Continental the remaining principal amount of each issue of such Debentures, at a price in each case of 100% of such principal amount, and 90,909 shares of Common Stock, at an aggregate price of $2,499,997.50. Such Debentures mature July 1, 1989 (subject to required annual prepayments of $100,000, as to each Debenture, commencing July 1,

1979, and also subject, in each case, to certain optional prepayments, some with premium) and are convertible into Common Stock of the Corporation at the initial conversion prices previously discussed, each of which is subject to anti-dilution adjustment as hereinafter discussed.

Under the letter agreement, a commitment fee of ½% per annum, based upon the then outstanding commitment, was paid to Continental at each of the two aforementioned closings.

The formulas for determining the initial conversion prices with respect to each issue of the Debentures and the purchase price per share of the Common Stock involved in the foregoing $10,000,000 financing transaction were recommended by the investment banking firm previously referred to in this Proxy Statement under the heading *"$2,500,000 Financing Transaction,"* and the determinations thereof were made with reference to a price of $32.00, the average per share closing price of the Common Stock on the New York Stock Exchange for the five trading days prior to March 21, 1969. The interest rates with respect to each issue of such Debentures were also recommended by such investment banking firm.

Subordination. The indebtedness of the Corporation evidenced by each issue of Debentures discussed herein is subordinate and junior in right of payment, as provided in the respective Agreements relating thereto, to Superior Indebtedness (as defined in the respective Agreements), whether outstanding at the date of any such Agreement or thereafter incurred by the Corporation. Superior Indebtedness, in the case of each of the Debentures discussed herein which has a junior subordinated status, generally includes all indebtedness of the Corporation for money borrowed except other debt of the same status, and, in the case of each of the Debentures discussed herein which has a senior subordinated status, generally includes all such indebtedness except other debt of the same status and debt having a junior subordinated status. By reason of such subordination, in the event of any insolvency, bankruptcy or similar proceeding involving the Corporation, or upon any dissolution, liquidation, winding-up, reorganization or similar action of the Corporation, or in the event any such Debenture is declared due and payable before its stated maturity by reason of a default, the holders of Superior Indebtedness are entitled to be paid in full all principal and interest with respect to Superior Indebtedness before the holders of any subordinated debt are entitled to be paid with respect thereto.

Conversion Provisions. The conversion privilege with respect to each issue of Debentures discussed herein is protected against dilution, as provided in the respective Agreements relating thereto, in certain events, including, generally, the sale of shares of Common Stock for cash or for a consideration per share less than the then prevailing respective conversion prices, the issuance of shares of Common Stock upon a stock dividend, a subdivision or combination of shares of Common Stock, a recapitalization, a consolidation or merger of the Corporation, or a sale of substantially all of the assets of the Corporation. No adjustment in any conversion price is required to be made upon the issuance of shares of Common Stock pursuant to present or future officer and employee options or stock purchase agreements.

Dividend and Other Limitations and Restrictions. The respective Agreements relating to each issue of Debentures discussed herein contain certain limitations and restrictions concerning the payment and declaration of dividends by the Corporation and the financial status of, the incurrence of debt by, and other activities involving the Corporation.

With respect to dividends, the respective Agreements provide, in effect, that the Corporation may not pay or declare any dividend or make any other distribution on

account of any class of its stock, or redeem, purchase, or otherwise acquire any shares of its stock (all of the foregoing being defined in the respective Agreements as "Restricted Payments") except out of Consolidated Net Earnings (as defined in the respective Agreements) for the period April 1, 1966 to the end of the last fiscal quarter of the Corporation preceding the date of any proposed Restricted Payment, less the sum of all dividends and other distributions paid by the Corporation after March 31, 1966 and the excess of the amount expended, after March 31, 1966, for the acquisition of any shares over the amount received, after March 31, 1966, as proceeds for the sale of any shares. As of March 31, 1969, approximately $1,637,000 was available for the making of Restricted Payments free of the aforementioned restrictions.

With respect to financial status, the respective Agreements provide, in general, that the excess of the Corporation's Consolidated Net Worth (as defined in the respective Agreements) over its Consolidated Non-Finance Assets (as defined in the respective Agreements) may not at any time be less than $10,000,000; that the aggregate principal amount of the Corporation's Current Debt (as defined in the respective Agreements) to banks under established lines of credit at any time may not be less than an amount equal to 33⅓% of the aggregate principal amount of its Consolidated Senior Debt (as defined in the respective Agreements); that the aggregate principal amount of the Corporation's Consolidated Senior Debt at any time outstanding may not exceed an amount equal to 300% of its Capital Base (as defined in the respective Agreements); that the aggregate principal amount of the Corporation's Consolidated Senior Liabilities (as defined in the respective Agreements) at any time outstanding may not exceed an amount equal to 425% of its Capital Base; and that the aggregate principal amount of the Corporation's Subordinated Debt (as defined in the respective Agreements) at any time outstanding may not exceed an amount equal to the excess of its Consolidated Net Worth over its Consolidated Non-Finance Assets. In addition, the consolidated current assets of the Corporation may not, under the respective Agreements, be less than 105% of the current liabilities of the Corporation (excluding capital and surplus).

The respective Agreements also contain certain limitations and restrictions on the creation or assumption by the Corporation of certain liens and debt, the making of certain loans, advances, investments and the like by the Corporation, the participation by the Corporation in certain mergers and consolidations and certain sales by the Corporation of all or substantially all of its assets.

Summary. The foregoing summary of certain provisions of the respective Agreements relating to each issue of Debentures discussed under this heading "The Continental Insurance Company" is subject to the complete texts thereof; all the Agreements are on file with the Securities and Exchange Commission and the New York Stock Exchange.

Use of Proceeds; Etc. The net proceeds of each sale of Debentures to Continental discussed under this heading "The Continental Insurance Company" (except for the exchange of the 6% Junior Subordinated Convertible Debentures due June 30, 1988 for the 6¾% Junior Subordinated Notes due October 15, 1968, as to which there were no proceeds) were added to the general funds of the Corporation, to meet current working capital requirements, principally those involved in the carrying of increased volumes of receivables. The Corporation has found that the most effective way of raising funds to meet its current working capital requirements is through the private placement of long-term subordinated debt securities of the kind discussed herein.

Effect of Conversion and Related Matters. Assuming that Continental had converted all the Debentures of the Corporation which it held on April 15, 1969, it would have owned 909,732 shares of the Corporation's Common Stock on that date, equal to approximately 36% of the total which then would have been outstanding.

As of the completion of the $10,000,000 financing transaction, Continental owned 835,254 shares of the Corporation's Common Stock, equal to approximately 34% of the total then outstanding, and various issues of the Corporation's convertible debentures which, if converted in full, would have entitled Continental to an additional 420,829 shares of the Corporation's Common Stock. Assuming such conversion, Continental would have owned an aggregate of 1,256,083 shares of the Corporation's Common Stock, equal to approximately 44% of the total which then would have been outstanding.

Short-Term Financings. From time to time in the ordinary course of its business the Corporation sells commercial paper, of various maturities and at various interest rates, through dealers, and from time to time from the beginning of the last fiscal year of the Corporation through April 15, 1969, Continental and its affiliates purchased various principal amounts of various issues of such commercial paper. The highest aggregate principal amount of such commercial paper owned by Continental and its affiliates at any one time during that period was $8,340,000 (week of July 8, 1968), equal to approximately 45% of the aggregate principal amount of such commercial paper which the Corporation had outstanding at that time. As of April 15, 1969, the Corporation had outstanding $9,230,000 aggregate principal amount of various issues of such commercial paper, and neither Continental nor its affiliates owned any such commercial paper at that time. The interest rates on the Corporation's commercial paper outstanding from time to time during the period from April 1, 1968 through April 15, 1969 ranged between 5⅜% per year and 7½% per year.

Anthony F. Kopp

Loan. As of April 15, 1969, Anthony F. Kopp was indebted to Financial Services, Inc., a wholly owned subsidiary of the Corporation of which Mr. Kopp is President, in the amount of $80,000, such indebtedness having arisen as the result of a series of loans made to Mr. Kopp to assist him in the financing of a purchase of land in the New York metropolitan area and the construction of a home thereon. Mr. Kopp resided in the Philadelphia metropolitan area, where Financial Services, Inc. is headquartered, until, upon his election as Senior Executive Vice President–Operations of the Corporation on December 18, 1968 (Mr. Kopp was elected President—Credit Card Division of the Corporation as of March 25, 1969), his various new corporate duties required him to move into the New York metropolitan area.

The loans to Mr. Kopp bear interest at 6% per annum (such interest being payable annually) and the principal thereof is repayable in 10 equal annual instalments commencing January 2, 1973. The loans are to be secured by a mortgage, junior to any first mortgage securing any bank loan obtained by Mr. Kopp, on Mr. Kopp's home.

Inter-Service Club Card, Inc. The Corporation, Mr. Kopp, and Military Purchase System, Inc., a non-affiliated corporation of which Mr. Kopp is a Director, entered into a letter agreement, as of April 1, 1969, with respect to the financing and operation of Inter-Service Club Card, Inc., a corporation established by Military Purchase System, Inc. for the purpose of operating a world-wide credit card charge and billing program for United States armed forces military clubs. On April 3, 1969, Inter-Service and Financial Services, Inc. entered into an agreement under which Financial Services, Inc. would provide servicing and processing for the proposed program, at cost, and would be committed to provide up to $8,000,000 of the financing requirements in connection with the accounts receivable generated by the program. The three-party letter agreement provided that the Corporation and Military Purchase System, Inc. would each purchase 50% of the common stock of Inter-Service, at its par value, being, in each case, $45,000 and would each make a $50,000 loan to Inter-Service, and that Mr. Kopp would purchase all of an issue of preferred stock of Inter-Service, at its par value, being $10,000. Such

preferred stock would be convertible into common stock under certain circumstances. Also, Mr. Kopp would serve on the board of directors of, and as a non-compensated consultant to, Inter-Service.

Stock Options

Amended Restricted Stock Option Plan. The following tabulation shows, as to certain directors and officers of the Corporation and as to all directors and officers as a group (i) the amount of shares acquired since the beginning of the last fiscal year of the Corporation through the exercise of options granted under the Amended Restricted Stock Option Plan since that date or prior thereto, and (ii) the amount of shares subject to all unexercised options held under that Plan as of April 15, 1969. That Plan was terminated by the Board of Directors of the Corporation on May 15, 1968; no options were granted under that Plan since the beginning of the Corporation's last fiscal year.

	Thomas A. Hays	Anthony F. Kopp	All Directors and Officers as a Group
Options Exercised (April 1, 1968 through April 15, 1969):			
Number of Shares[1]	2,294	983	4,916
Aggregate option price of options exercised	$ 40,935.28	$17,774.99	$ 99,777.71
Aggregate market value of shares on date options exercised	$114,269.88	$55,293.75	$257,659.88
Unexercised Options at April 15, 1969:			
Number of Shares[2]	—	983	7,684
Average per share option price[2]	—	$18.0824	$21.3253

[1] Adjusted to reflect stock dividends paid from April 1, 1968 through dates of exercise of options.
[2] Adjusted to reflect stock dividends paid from April 1, 1968 through April 15, 1969.

1968 Qualified Stock Option Plan. The following tabulation shows, as to certain directors and officers of the Corporation and as to all directors and officers as a group (i) the amount of options granted under the 1968 Qualified Stock Option Plan since June 27, 1968, the date of the adoption of that Plan by the shareholders of the Corporation, and (ii) the amount of shares subject to all unexercised options held under that Plan as of April 15, 1969. Under the terms of that Plan, no options granted thereunder shall be exercisable earlier than two years after the granting date; therefore, no option granted under that Plan (the right to exercise which had not terminated) had been exercised as of April 15, 1969. In the following table, all differences between options granted and unexercised options are attributable to terminations of rights to exercise options occurring in connection with terminations of employment.

	William D. Fugazy	Jules T. Asch	Thomas A. Hays	Anthony F. Kopp	All Directors and Officers as a Group
Options Granted (June 27, 1968 through April 15, 1969):					
Number of Shares	3,500	3,500	3,500	3,000	39,250
Average per share option price	$53.75	$53.75	$53.75	$53.75	$52.59
Unexercised Options at April 15, 1969:					
Number of Shares	3,500	3,500	—	3,000	33,000
Average per share option price	$53.75	$53.75	—	$53.75	$52.37

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AUTHORIZATION OF AMENDMENT TO INCREASE THE AUTHORIZED SHARES OF COMMON STOCK OF THE CORPORATION

Under the present Certificate of Incorporation, the Corporation is authorized to issue 3,500,000 shares of Common Stock, $1 par value. As stated elsewhere in this Proxy Statement, as of April 15, 1969, 2,241,903 shares of Common Stock were issued and outstanding. In addition, as of that date, 917 shares were held in the Corporation's treasury to secure certain indemnities of the shareholders of an acquired corporation but subject to delivery to such shareholders under certain circumstances, 7,684 unissued shares were reserved for issuance pursuant to the exercise of options granted under the Corporation's Amended Restricted Stock Option Plan, 100,000 unissued shares were reserved for issuance pursuant to the exercise of options granted and to be granted under the Corporation's 1968 Qualified Stock Option Plan, 296,337 unissued shares were reserved for issuance upon conversion of the various issues of the Corporation's convertible debentures then outstanding, and 40,000 unissued shares were reserved for issuance under certain post closing contingent payment arrangements in connection with an acquisition. Thus, as of April 15, 1969, there were 813,159 authorized shares of Common Stock which were neither issued nor reserved.

The $10,000,000 financing transaction, which is discussed elsewhere in this Proxy Statement under the heading "The Continental Insurance Company," was completed since April 15, 1969. That transaction involved the issuance of an aggregate of 181,819 shares of Common Stock, required the reservation of 146,537 unissued shares for issuance upon conversion of the two issues of convertible debentures therein involved, and resulted in adjustments of the conversion prices with respect to all the other issues of the Corporation's convertible debentures then outstanding, which adjustments required the reservation of an additional 20,617 unissued shares for issuance upon conversion. Thus, at present, there are only 464,186 authorized shares of Common Stock which are neither issued nor reserved and which are therefore available to meet the future needs of the Corporation.

The management of the Corporation will propose at the meeting the authorization by the shareholders of an amendment to the Certificate of Incorporation to increase the number of authorized shares of Common Stock from 3,500,000 to 5,000,000. The management believes that the proposed increase would be in the best interests of the Corporation and its shareholders, providing a reserve of shares of Common Stock which would be available for meeting additional financing requirements of the Corporation and for other corporate purposes, including acquisitions.

The additional shares of Common Stock sought to be authorized would be identical with the shares of Common Stock now authorized and the proposed amendment of the Certificate of Incorporation would not affect the terms of, or the rights of the holders of, presently issued or reserved shares of Common Stock. The Common Stock of the Corporation has no conversion, preemptive or subscription rights and is not redeemable.

Although management has no present plans, negotiations, agreements or understandings with respect to the issuance of additional shares of Common Stock (except for issuances with respect to reserves hereinbefore discussed) the Corporation is often engaged in the consideration of situations which might lead to the issuance of shares of Common Stock, and management believes it important that the Corporation have the flexibility of having a sufficient number of unissued shares of Common Stock available for its needs from time to time connected with the development of the business of the Corporation.

All the authorized but unissued shares of Common Stock of the Corporation, including those additional shares which would be authorized pursuant to a favorable vote on this proposal, may be issued by the Corporation, for proper corporate purposes, without further shareholder approval or ratification, except to the extent required by the laws of the State of New York or pursuant to the agreement under which the Common Stock of the Corporation is listed on the New York Stock Exchange.

In connection with this proposal, reference is made to the discussion under the heading *"Further Financial Information"* elsewhere in this Proxy Statement.

For the proposed amendment to be authorized, it must be approved by a majority of the votes cast at the meeting by the holders of the outstanding shares of the Corporation. If the proposed amendment is authorized, a certificate of amendment incorporating the proposal will be filed promptly by the Corporation with the Department of State of the State of New York, and, upon such filing, the amendment will be effected.

It is recommended that the shareholders **VOTE FOR** the foregoing amendment proposal.

RATIFICATION OF CERTAIN FINANCING TRANSACTIONS WITH THE CONTINENTAL INSURANCE COMPANY

Proposal. On March 24, 1969 the Corporation agreed with the New York Stock Exchange that it would submit to its shareholders, for ratification at this annual meeting, the $2,500,000 financing transaction and the $10,000,000 financing transaction (both of which have been previously discussed in this Proxy Statement under the heading "The Continental Insurance Company," to which reference is made), and that, pending action by the shareholders of the Corporation, all shares of Common Stock sold directly to Continental in connection with either such transaction and all shares of Common Stock issued upon any conversion of any of debentures sold to Continental in connection with either such transaction would be placed in escrow. Such an agreement was required by the Exchange as a condition to the listing of the shares of Common Stock involved in the transactions.

On March 28, 1969, at the closing of the $2,500,000 financing transaction, Continental delivered the 37,879 shares of Common Stock directly sold to it to Manufacturers Hanover Trust Company, as escrow agent, and Continental agreed with the Corporation that it would deliver into escrow any shares of Common Stock issued to it upon any conversion of the 6½% Junior Subordinated Convertible Debentures due March 1, 1989.

Substantially the same procedure was followed at each of the closings with respect to the $10,000,000 financing transaction.

In accordance with its agreement with the Exchange, the Corporation will submit for ratification by the shareholders at the meeting the $2,500,000 financing transaction and the $10,000,000 financing transaction. The shareholders are asked to ratify these transactions, and all agreements entered into and all actions taken by the Corporation with respect to these transactions.

Vote Required. For the $2,500,000 financing transaction and the $10,000,000 financing transaction to be ratified as aforesaid, there must be an affirmative vote by a majority of the votes cast at the meeting by the holders of the outstanding shares of the Corporation excluding any votes cast by Continental, which will not be tabulated on this proposal; however, all shares owned by Continental and present in person or by proxy at the meeting will be tabulated for quorum purposes and will be tabulated as cast or as directed on all other proposals presented.

Further Financial Information. For further information with respect to the Corporation, the $2,500,000 financing transaction and the $10,000,000 financing transaction,

reference is made to the heading *"Capitalization"*, which follows immediately hereinafter in this Proxy Statement, and to the financial statements of the Corporation, including the notes thereto, contained in the annual report of the Corporation (a copy of which is being sent to each shareholder of the Corporation as of the record date together with this Proxy Statement), which are incorporated herein by reference.

Capitalization. The capitalization of the Corporation (including certain current debt) as of February 25, 1969 (the date immediately preceding the date agreement in principle was reached with respect to the $2,500,000 financing transatcion) and as of the completion of both the $2,500,000 financing transaction and the $10,000,000 financing transaction, is as follows:

	Authorized	Outstanding February 25, 1969	Outstanding June 3, 1969
LONG-TERM DEBT[1]:			
5¼% Promissory Notes due April 1, 1972	$ —	$ 2,000,000	$ — [2]
5⅛% Promissory Notes due October 1, 1980	10,000,000	10,000,000	10,000,000
5⅞% Junior Subordinated Convertible Debentures due April 1, 1987	—	2,500,000	— [3]
6% Junior Subordinated Convertible Debentures due February 1, 1988	1,250,000	1,250,000	1,250,000
6% Senior Subordinated Convertible Debentures due February 1, 1988	1,250,000	1,250,000	1,250,000
6% Senior Subordinated Convertible Debentures due April 1, 1988	2,000,000	2,000,000	2,000,000
6% Junior Subordinated Convertible Debentures due June 30, 1988	2,500,000	2,500,000	2,500,000
6% Senior Subordinated Convertible Debentures due October 1, 1988	5,000,000	5,000,000	5,000,000
6¼% Senior Subordinated Convertible Debentures due January 1, 1989	2,500,000	2,500,000	2,500,000
6½% Junior Subordinated Convertible Debentures due March 1, 1989	1,250,000	1,250,000	1,250,000
7% Senior Subordinated Convertible Debentures due May 1, 1989	1,250,000	—	1,250,000
7½% Junior Subordinated Convertible Debentures due May 1, 1989	1,250,000	—	1,250,000
7% Senior Subordinated Convertible Debentures due July 1, 1989	1,250,000	—	1,250,000
7½% Junior Subordinated Convertible Debentures due July 1, 1989	1,250,000	—	1,250,000
	$30,750,000	$30,250,000	$30,750,000
CERTAIN CURRENT DEBT[4]:			
Notes Payable—Banks[5]	$ —	$59,474,000	$62,874,000[6]
Notes Payable—Commercial Paper[5]	—	18,058,000	14,824,000[7]
	$ —	$77,532,000	$77,698,000
CAPITAL STOCK:			
Common Stock, $1 par value	3,500,000 shs.	2,081,787 shs.[8]	2,423,722 shs.[8,9]

[1] Including current portions of the long-term debt shown but excluding miscellaneous long-term debt, including current portions thereof, amounting to approximately $817,000 in the aggregate as of February 25, 1969 and to approximately $813,000 in the aggregate as of June 3, 1969. There are no current portions of the long-term debt shown except with respect to the 5¼% Promissory Notes due April 1, 1972. Reference is made to footnote 2 with respect to such Notes.

[2] On April 1, 1969, the Corporation made a required annual prepayment of $500,000 with respect to these Notes and prepaid the entire remaining $1,500,000 principal amount then outstanding, at par, without premium. This transaction was unrelated to the $2,500,000 financing transaction and the $10,000,000 financing transaction.

[3] On March 28, 1969, Continental converted the entire outstanding $2,500,000 principal amount of these Debentures. For a further discussion with respect to this transaction, reference is made to the heading *"$10,000,000 Financing Transaction"* elsewhere in this Proxy Statement.

[4] Not including current portions of certain long-term debt (with respect to which reference is made to footnotes 1 and 2), accounts payable, accrued expenses and income taxes payable.

[5] The aggregate amount of Notes Payable—Banks of the Corporation and the aggregate amount of Notes Payable—Commercial Paper of the Corporation change on a daily basis.

[6] The Notes Payable—Banks, as shown herein on a pro forma basis, has been computed by deducting $5,000,000, the approximate proceeds received by the Corporation upon the second closing with respect to the $10,000,000 financing transaction, from $67,874,000, the aggregate principal amount of Notes Payable—Banks of the Corporation as of May 15, 1969. Reference is made to footnote 5.

[7] The Notes Payable—Commercial Paper, as shown herein on a pro forma basis, is the aggregate principal amount of Notes Payable—Commercial Paper of the Corporation as of May 15, 1969. Reference is made to footnote 5.

[8] Excluding 6,277 shares held in the Corporation's treasury as of February 25, 1969 and 917 shares held in the Corporation's treasury as of June 3, 1969. Also excluding, as of both dates, shares reserved for issuance (a) upon the exercise of options granted under the Corporation's Amended Restricted Stock Option Plan, (b) upon the exercise of options granted and to be granted under the Corporation's 1968 Qualified Stock Option Plan, (c) upon the conversion of any issue of the Corporation's convertible debentures, and (d) with respect to certain post closing contingent payments in connection with an acquisition unrelated to the $2,500,000 financing transaction and the $10,000,000 financing transaction.

[9] The increase includes (a) 37,879 shares issued and sold in connection with the $2,500,000 financing transaction, (b) 116,877 shares issued upon conversion of the 5¾% Junior Subordinated Convertible Debentures due April 1, 1987 (as to which reference is made to footnote 3), (c) 5,360 shares delivered from the Corporation's treasury in a transaction unrelated to the $2,500,000 financing transaction and the $10,000,000 financing transaction, and (d) an aggregate of 181,819 shares issued and sold in connection with the $10,000,000 financing transaction.

Recommendation. It is recommended that the shareholders **VOTE FOR** the foregoing proposal of ratification.

RATIFICATION OF APPOINTMENT OF AUDITORS

Touche, Ross, Bailey & Smart, certified public accountants, have audited the books and accounts of the Corporation and its subsidiaries for the past five fiscal years, and the Board of Directors has appointed that firm as the Corporation's independent auditors for the current fiscal year. This appointment will be submitted for ratification by the shareholders at the meeting.

It is recommended that the shareholders **VOTE FOR** the foregoing proposal of ratification.

SHAREHOLDER PROPOSAL WITH RESPECT TO POST-ANNUAL MEETING REPORTS

Lewis D. Gilbert and John J. Gilbert, 1165 Park Avenue, New York, New York 10028, have informed the Corporation that they intend to introduce the following resolution at the meeting:

"RESOLVED: That the stockholders of Diners' Club, Inc., assembled in annual meeting in person and by proxy, hereby request that, following the annual meeting, an improved post-meeting report be sent to all owners containing a summary of

the discussion, the actual vote in terms of shares for and against resolutions presented to the meeting, identification of participants, and important shareholders questions and management answers."

The following statement has been submitted in support of the foregoing proposal:

"The last post-meeting report failed to give any of the questions and answers or the general discussion in regard to proposals.

"Gulf and Western, American Tobacco, Lockheed, Federated Department Stores and Johns-Manville are examples of the kind of report we have in mind.

"If you agree, please mark your proxy FOR this resolution, otherwise it is automatically cast against it."

For the proposal of the Messrs. Gilbert to be adopted, it must be approved by a majority of the votes cast at the meeting by the holders of the outstanding shares of the Corporation.

For the following reasons, the Board of Directors of the Corporation recommends that the shareholders vote against the resolution:

The Corporation intends to continue its policy of reporting to all its shareholders with respect to annual meetings. Past post-annual meeting reports of the Corporation have contained information of the kind which concerns the Messrs. Gilbert, including details as to shares represented and voting and summaries of actions taken. Management believes, however, that the expansion of such reports in the future to conform with the proposal of the Messrs. Gilbert would be unwarranted. The various proposals to be considered at each annual meeting are discussed in the related proxy statement, which is sent to all shareholders. To summarize in a post-annual meeting report the discussion and the questions and answers at the meeting would, in the opinion of management, involve excessive detail and unjustifiable additional costs for preparation and printing.

It is recommended that the shareholders **VOTE AGAINST** the foregoing shareholder proposal.

OTHER INFORMATION

Proxies for the annual meeting will be solicited by mail directly and through brokerage and banking institutions, and all expenses involved, including printing and postage, will be paid by the Corporation.

The management knows of no other matters which will be presented to the shareholders for formal action at the meeting and does not anticipate that any other matters will be brought before the meeting. If, however, any other matters properly come before the meeting or any adjournment thereof, the persons named in the proxy will have discretionary authority to vote the proxy in accordance with their judgment on any such matter.

By order of the Board of Directors,

ALFRED S. BLOOMINGDALE,
Chairman of the Board and
Chief Executive Officer

New York, New York
June 20, 1969

is extended.

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PLAINTIFFS' EXHIBIT 22 T 22 P4

AGREEMENT dated this 27th day of September, 1968 by and among THE DINERS' CLUB, INC., a New York corporation ("Diners"), DINERS/FUGAZY TRAVEL, INC., a Delaware corporation ("DFT"), F T VENTURES, INC., a dissolved New York corporation ("Ventures"), OTTO MARX, JR., WILLIAM D. FUGAZY and LOUIS V. FUGAZY (the "Principals"), and A. MITCHELL LIFTIG ("Liftig").

R E C I T A L S :

1. On October 10, 1967, Diners entered into an agreement (the "Purchase Agreement") with Fugazy Travel Bureau, Inc., a New York corporation, the name of which was changed to Ventures, pursuant to which DFT, a wholly-owned subsidiary of Diners, on October 30, 1967, acquired substantially all of the assets of Ventures for cash and 62,000 shares of Diners Common Stock, par value $1 per share ("Common Stock").

2. Ventures and the Principals indemnified Diners and DFT with respect to the non-collectibility of certain accounts receivable of Ventures, liabilities and obligations of, and claims against, Ventures not assumed by DFT and misrepresentations and breaches of warranty, and 57,000 of the aforesaid shares paid were placed in escrow with The Chase Manhattan Bank, N.A. (the "Bank") to secure Diners and DFT with respect to the indemnities. The escrow arrangement provided for the release of shares from time to time in excess of that number of shares (valued at $37.50 per share) necessary to secure claims or potential claims under the indemnities.

3. On May 8, 1968, in connection with a post closing adjustment, Ventures delivered a 6% promissory note due March 15, 1971 in the principal amount of $180,352 to DFT (the "Note"), payments being guaranteed by the Principals, and

31,600 shares were released from escrow. Prior to the date hereof 13,479 additional shares were released from escrow, and as of the date hereof 12,683 shares remain in escrow (the "Escrowed Shares").

4. Effective October 30, 1967, each of the Principals entered into employment agreements with DFT which provided, among other things, for contingent compensation to them, depending upon sales of retail travel agency franchises by, or profits of, DFT, payable over 15 years in the maximum aggregate amount of $5,000,000. Pursuant to agreements of June 18, 1968, amending the employment agreements, the maximum aggregate contingent compensation was reduced to $4,750,000, of which, to date, $500,000 has been paid.

5. The parties hereto desire to effect the release of the Escrowed Shares, to cancel the Note, and to modify the above-mentioned employment agreements.

NOW, THEREFORE, it is agreed as follows:

1. At the closing hereunder, (a) DFT shall deliver to Ventures the Note, marked "Cancelled", and (b) Diners and Ventures shall execute a determination, in the form annexed hereto as Exhibit A, authorizing the Bank to release the Escrowed Shares and to deliver them to Ventures.

2. At the closing hereunder Diners, DFT and the Principals shall each execute agreements modifying and amending the respective employment agreements of the Principals, in the respective forms annexed hereto as Exhibits B, C and D.

3. On February 3, 1969, (a) DFT shall cause Diners to deliver to Liftig a certificate, registered in Liftig's name, representing 955 shares of Diners Common Stock,

(b) DFT shall deliver to Liftig its check, to his order, in the amount of $6250, (c) Liftig shall deliver to Diners a letter in the form annexed hereto as Exhibit E, and (d) Liftig shall deliver to Diners, DFT and the Principals a letter agreement, in the form annexed hereto as Exhibit F. Notwithstanding the foregoing, DFT may at its election, upon 5 days' prior notice to Liftig, deliver the aforesaid shares and/or check to Liftig at any time prior to February 3, 1969 and in the event of such delivery prior to February 3, 1969 Liftig shall at the time of such delivery deliver the aforesaid letter and letter agreement in the forms annexed hereto as Exhibits E and F respectively.

4. The closing hereunder shall take place at 10 A.M. on October 1, , 1968 at the offices of The Diners' Club, Inc., 10 Columbus Circle, New York, New York.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

THE DINERS' CLUB, INC.

By _____

DINERS/FUGAZY TRAVEL, INC.

By _____

F T VENTURES, INC.

By _____

_____
Otto Marx, Jr.

_____
William D. Fugazy

_____
Louis M. Fugazy

_____
J. Mitchell Liftig

EXHIBIT A

CERTIFICATE

1. The foregoing certificate is provided pursuant to paragraph 4 of a certain agreement dated October 30, 1967 ("Escrow Agreement") among The Diners' Club, Inc. ("Diners"), Fugazy Travel Bureau, Inc. ("Fugazy") and The Chase Manhattan Bank, N.A. ("Bank").

2. On October 31, 1967, the corporate name of Fugazy was changed to F T Ventures, Inc. ("Ventures").

3. Bank is hereby authorized and directed to release from escrow all the shares of Diners Common Stock being held by it pursuant to the Escrow Agreement, to put the same through for transfer, to register the same in the name of F T Ventures, Inc., to have affixed to any certificate or certificates therefor the following legend:

> "This certificate has been issued pursuant to an agreement dated October 10, 1967 to which The Diners' Club, Inc. is a party, and may not be sold, assigned or transferred unless and until covered by an effective registration statement under the Securities Act of 1933, as amended, or unless and until Diners receives an opinion from its counsel that such registration is not required."

and to deliver such new certificate or certificates to F T Ventures, Inc. c/o Otto Marx, Jr., 40 Wall Street, New York, New York.

4. The determination stated in paragraph 3 hereof has been mutually agreed upon by the undersigned.

5. Dated October 1 , 1968.

THE DINERS' CLUB, INC.

By_____

F T VENTURES, INC.

By_____

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PLAINTIFFS' EXHIBIT 22(a).

AGREEMENT dated this 1st day of October , 1968 by and between THE DINERS' CLUB, INC., a New York corporation ("Diners"), DINERS/FUGAZY TRAVEL, INC., a Delaware corporation ("DFT") and WILLIAM D. FUGAZY ("Employee").

WHEREAS, DFT and the Employee entered into an employment agreement dated October 10, 1967, which agreement as heretofore amended is hereinafter referred to as the "Employment Agreement"; and

WHEREAS, DFT entered into employment agreements dated October 10, 1967 with Otto Marx, Jr. and Louis V. Fugazy, respectively (the "Other Employees"); and

WHEREAS, the parties desire to amend the Employment Agreement in certain respects as herein set forth;

NOW, THEREFORE, the parties agree as follows:

1. All of paragraph 2 following clause (a) thereof, and all of paragraph 3, of the Employment Agreement are deleted, and in consideration of and in full settlement for services heretofore performed thereunder but not yet paid for, DFT agrees to pay to Employee on February 3, 1969 the sum of $60,937.50, by check payable to the order of Employee.

2. Simultaneously with the execution hereof, Diners is delivering to Employee, and Employee acknowledges receipt thereof, a certificate, registered in Employee's name, representing 9,311 shares of Common Stock, par value $1 per share, of Diners ("Common Stock").

3. With respect to the shares referred to in

paragraph 2:

(a) The Employee hereby represents to Diners that such shares are being acquired by him for investment for his own account and without any intention at this time of dividing his ownership with others or reselling or otherwise distributing the same and (provided any of such shares are otherwise transferable, as hereinafter provided) that no disposition, distribution or transfer of any interest in any of such shares shall be made in the absence of an effective registration statement for such shares under the Securities Act of 1933, as amended, or unless Diners shall have been furnished with an opinion of its counsel that registration is not required under the Act.

(b) Anything herein contained to the contrary notwithstanding, such shares may not be sold, assigned, discounted, pledged as collateral for a loan or transferred by the Employee, nor may any disposition or distribution of them be made by him, for a period of five years from the date hereof (the "Restriction Period"), except as herein provided.

(i) The foregoing restrictions shall be released as to a maximum of 20% of such shares with respect to each of the first four years of the Restriction Period if 25 or more retail travel agency franchises have been sold by DFT during any one of those years, and if less than 25 franchises are sold during any such year, the restrictions shall be released with respect to a proportionately reduced

percentage of such shares; provided, however, that if more than 25 franchises are sold during any such year, the excess of the franchises so sold over 25 shall be applied to any succeeding year in which less than 25 franchises are sold, for the purpose of maximizing the release of the foregoing restrictions. The sale of a franchise shall be deemed completed upon the execution of the form of franchise agreement then in use by DFT and the receipt by DFT of a franchise fee thereunder.

(ii) Promptly after the end of each of the first four years of the Restriction Period, Diners shall take all such actions as shall be necessary (including, without limitation, directing its transfer agent to act) to cause the release of restrictions with respect to the number of shares determined as provided in clause (i) above, including a change in the legend on the certificates representing such shares, as hereinafter provided.

(iii) Promptly after the end of the fifth year of the Restriction Period, and regardless of the number of franchises then sold, Diners shall take all such actions as shall be necessary (including, without limitation, directing its transfer agent to act) to cause the release of restrictions (pro rata as among the Employees) with respect to the excess of the shares then subject to the foregoing restrictions over a number of shares equal in value to the amount deemed by Diners to be necessary fully to satisfy any claims that Diners and/or DFT may then have under

(A) an agreement dated October 10, 1967 between Diners and Fugazy Travel Bureau, Inc. (name changed to F T Ventures, Inc.) by which DFT purchased substantially all the assets of Fugazy Travel Bureau, Inc. (the "Purchase Agreement") or (B) a letter agreement dated October 30, 1967, addressed to Diners and signed by the Employee and the Other Employees ("Letter Agreement"). For purposes of this clause (iii), the shares applied in satisfaction of the aforesaid claims, if any, by Diners and/or DFT shall be applied at a value per share of $50, subject to adjustments for stock dividends, splits, reclassifications and like transactions after the date hereof. That proportion of the total number of shares deemed necessary for the foregoing reimbursement and held by the Employee shall be returned to Diners for cancellation, and the Employee agrees to take all such actions as shall be necessary to accomplish such return and cancellation.

It is understood and agreed that the rights of Diners and DFT concerning any claims which they or either of them may have under the Purchase Agreement or the Letter Agreement shall be limited in amount to the shares referred to in this clause (iii), and upon the application to such claims of such shares (whether or not the shares are sufficient to satisfy the claims in full), Diners and DFT shall have no further rights against F T Ventures, Inc. under the Purchase Agreement or against the Employee under the Letter Agreement.

Notwithstanding the foregoing provisions of this clause (iii), before application of any shares in satisfaction of the above-mentioned claims, Diners and DFT shall give reasonable prior notice thereof to the Employee and the Other Employees, and in lieu of the application of such shares, the Employee and the Other Employees shall have the right to pay to Diners and/or DFT the full amount of such claims in cash.

(iv) The certificate representing the shares being delivered to the Employee upon the execution of this agreement (and any certificate or certificates delivered in substitution therefor, except as provided in clause (v) of this subparagraph (b)) shall bear the following legend:

> "This certificate is issued pursuant to an agreement dated October 1 , 1968 to which The Diners' Club, Inc. is a party, and the shares represented hereby may not be sold, assigned or transferred except (a) as provided in that agreement, and thereafter (b) unless and until covered by an effective registration statement under the Securities Act of 1933, as amended, or unless and until Diners receives an opinion from its counsel that such registration is not required."

(v) At such time as the restrictions contained in this subparagraph (b) shall be released as to any of the shares being delivered upon the execution hereof, Diners shall deliver to the Employee in partial substitution for the

certificate or certificates referred to in clause (iv) above a certificate containing the following legend:

> "This certificate is issued pursuant to an agreement dated October 1 , 1968 to which The Diners' Club, Inc. is a party, and the shares represented hereby may not be sold, assigned or transferred unless and until covered by an effective registration statement under the Securities Act of 1933, as amended, or unless and until Diners receives an opinion from its counsel that such registration is not required."

5. The Employee shall be entitled to have included in any registration statement filed by Diners with the Securities and Exchange Commission referred to in Section 10.2 of the Purchase Agreement any shares of Diners Common Stock delivered to the Employee upon the execution of this agreement as to which the restrictions contained in paragraph 4(b) have been released as therein provided.

6. The Employment Agreement is further amended in the following respects:

(a) Clause (b) of paragraph 4 of the Employment Agreement is amended to read in its entirety as follows:

> "(b) Unless terminated earlier under Section 4(a) above, Employee's employment as a full time employee under Section 1 hereof shall terminate at the expiration of the Initial Employment Period (unless continued for the Additional Employment Period as provided for in Section 1 herein) or at the termination of the Additional Employment Period. Upon a termination under this subsection (b), and until October 30, 1982, he shall serve DFT as a consultant as provided in, and subject to the terms and conditions of, Section 6(c)."

(b) Clause (c) of paragraph 4 and all of paragraph 5 of the Employment Agreement is deleted.

(c) Clause (a) of paragraph 6 of the Employment Agreement is amended to read in its entirety as follows:

"(a) In consideration of the execution by DFT of this Employment Agreement, the Employee agrees that for the period set forth in paragraph (b) below, he will not, in any manner, directly or indirectly, engage in the credit card business, the collection agency business, the business of operating travelers or travel clubs, the business of providing travel or related services or licensing or franchising others to provide such services or in any business which competes directly or indirectly with any of the fields in which Diners is presently engaged, either directly or through subsidiaries, and he will not directly or indirectly own, manage, operate, join, control or participate in the ownership, management, operation or control of or be employed by or connected in any manner with, any corporation, firm or business that is so engaged without the prior written consent of Diners. For the purposes of the foregoing, Travelco, Inc. (Pa.) and Travelco, Inc. (N.Y.) shall be deemed engaged in the travel business."

(d) Clause (c) of paragraph 6 of the Employment Agreement is amended to read in its entirety as follows:

"(c) If Employee's employment as a full time employee is terminated under Section 4(b),

Employee shall serve as a consultant for DFT, commencing on the termination of such full-time employment and subject to earlier termination as hereinafter provided continuing until October 30, 1982, unless DFT, prior to the 30th day after Employee's employment as a full-time employee is terminated, notifies Employee of its intention not to so employ him as a consultant. Employee's employment as a consultant may be terminated thereafter at any anniversary of his employment as a consultant upon thirty (30) days notice. For such consultative services Employee shall be paid a consultant's fee, payable monthly, at the rate of $100,000 per annum, for services rendered prior to the expiration of five (5) years from the Effective Date and at the rate of $37,500 per annum for services rendered thereafter. Employee agrees that he will accept such employment as a consultant as herein provided and agrees to devote such time and efforts in a consultative capacity to the business and affairs of DFT as DFT may reasonably require. The period or aggregate periods during which DFT shall employ Employee as a consultant hereunder is referred to herein as the "Consultative Period.""

7. Except as expressly provided herein, the Employment Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this agreement as of the day and year first above written.

THE DINERS CLUB, INC.

By _____

DINERS/FUGAZY TRAVEL, INC.

By _____

William D. Fugazy

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PLAINTIFFS' EXHIBIT 26

Pl Exh 26

THE CONTINENTAL CORPORATION
80 Maiden Lane, New York, New York 10038

OFFER TO PURCHASE COMMON STOCK
OF
THE DINERS' CLUB, INC.
AT $15 PER SHARE

The offer will terminate at 5 o'clock P.M., Eastern Standard Time, on Monday, March 9, 1970, subject to the right of The Continental Corporation ("Continental") to extend the offer. Public notice of any such extension will be given.

Continental is offering to purchase all shares of Common Stock, $1 par value, of The Diners' Club, Inc. ("Diners' Club") outstanding on February 6, 1970, at a price of $15 per share net to the tendering stockholders. The terms and conditions of the offer are set forth in this Offer to Purchase from Continental to the stockholders of Diners' Club dated February 6, 1970, and the accompanying Letter of Transmittal. Any commissions and transfer taxes applicable to the transfer and sale to Continental will be paid by Continental.

Continental will purchase all of the shares of Diners' Club Common Stock properly tendered during the initial period of the offer, subject to the terms and conditions set forth in this Offer to Purchase. Continental reserves the right to limit its purchases during any extension of the offer to an amount to be specified at the time of announcement of any such extension. Except as mentioned below in the case of shares deposited before the close of business Friday February 13, 1970, all shares deposited pursuant to this offer will be paid for as soon as practicable after the receipt thereof.

The Continental Corporation, 80 Maiden Lane, New York, New York 10038, is a New York corporation incorporated in May, 1968, as a business corporation for the purpose of becoming the parent of The Continental Insurance Company, a property and casualty insurance company, incorporated in 1853 under the laws of the State of New York.

The following table sets forth the information indicated about each officer and director of The Continental Corporation. There is no person controlling the Corporation.

Name and business Address	Title	Principal Occupation or Employment at present and for the last 10 years
Thomas M. Bancroft Mercantile Trust Bldg., Baltimore, Maryland 21202	Director	Since 1968 Chairman of the Board (previously President), Mount Vernon Mills Inc., textiles.
George I. Davis 291 Glen Street, Glens Falls,N. Y. 12801	Director	Since 1961 Chairman of the Board (previously Chairman of the Executive Committee), Glens Falls Insurance Company.
Viscount De L'Isle 4/5 King William Street, London, E. C. 4, England	Director	Since 1966 Chairman of the Board, Phoenix Assurance Company Limited, previously Governor General of Australia.
John W. Drye, Jr. 350 Park Avenue, New York, N. Y. 10022	Director	Partner Kelley Drye Warren Clark Carr & Ellis and predecessor firms, lawyers.
J. Victor Herd 80 Maiden Lane, New York, N. Y. 10038	Chairman of the Board and Director	Chairman of the Board The Continental Insurance Company.
Frederick E. Jones 111 East Broad Street, Columbus, Ohio 43216	Director	Since 1965 Chairman of the Board (previously President) The Buckeye Union Insurance Company.
Allen T. Lambert King & Bay Streets, Toronto 1, Canada	Director	Since 1964 Chairman of the Board and President (previously President) Toronto-Dominion Bank.
E. Herrick Low 405 Montgomery Street, San Franscisco, Cal. 94104	Director	Since 1969 Vice Chairman of the Board (previously Executive Vice President or Senior Vice President) United California Bank.
Joseph A. Martino 111 Broadway, New York, N. Y. 10006	Director	Since 1969 Honorary Chairman of the Board (previously Chairman of the Board or President) National Lead Company.
William E. Matchett 80 Maiden Lane, New York, N. Y. 10038	Vice Chairman of the Board and Director	Since 1969 Vice Chairman of the Board (previously President, Executive Vice President or Vice President), The Continental Insurance Company.
Milton W. Mays 80 Maiden Lane, New York, N. Y. 10038	Director	Since 1969 President (previously Executive Vice President or Vice President), The Continental Insurance Company.
R. E. McNeill, Jr., 350 Park Avenue, New York, N. Y. 10022	Director	Since 1964 Chairman of the Board (previously President) Manufacturers Hanover Trust Company.
Peter S. Paine 322 Fifth Avenue, New York, N. Y. 10036	Director	Since 1966 Chairman of the Board (previously President) Great Northern Paper Company.
Samuel Riker Retired	Director	Until 1967 Director and Secretary The New Jersey Zinc Co.
Dale E. Sharp Retired	Director	Until 1969 Vice Chairman of the Board Morgan Guaranty Trust Company of New York.
Arthur K. Watson Old Orchard Road, Armonk, N. Y. 11504	Director	Since 1964 Chairman of the Board (previously President) IBM World Trade Corporation.
Joseph Weintraub 150 S.E. 3rd Avenue, Miami, Fla. 33131	Director	Chairman of the Board Atico Financial Corp.
Nathan H. Wentworth 80 Maiden Lane, New York, N. Y. 10038	President and Director	Since 1965 Vice Chairman of the Board (previously President) The Continental Insurance Com-

Name and business Address	Title	Principal Occupation or Employment at present and for the last 10 years
Harold E. Johnson 80 Maiden Lane, New York, N. Y. 10038	Executive Vice President	Officer, The Continental Insurance Company.
Byron B. Redman 80 Maiden Lane, New York, N. Y. 10038	Vice President and Controller	Officer, The Continental Insurance Company.
Leighton M Lobdell 80 Maiden Lane, New York, N. Y. 10038	Vice President and Treasurer	Officer, The Continental Insurance Company.
Geoffrey Davey 80 Maiden Lane, New York, N. Y. 10038	Vice President and Secretary	Officer, The Continental Insurance Company.
Joseph F. Murphy 80 Maiden Lane, New York, N. Y. 10038	Vice President and General Counsel	Officer, The Continental Insurance Company.

The funds to be used in making the purchases are derived from internal sources in The Continental Corporation and amount to approximately $25,000,000.

The purpose of the proposed purchase of securities of Diners' Club is to acquire all of the outstanding shares of Common Stock not presently owned by The Continental Corporation or its subsidiaries, or as many of such shares as possible. The Continental Corporation has no present plan to liquidate Diners' Club, to sell its assets, or to merge it with any other person, or to make any major change in its business or corporate structure.

The Continental Corporation's wholly owned subsidiary, The Continental Insurance Company, 80 Maiden Lane, New York, New York 10038, presently owns 835,254 shares of Common Stock, $1.00 par value, of Diners' Club, and in addition $18,750,000 principal amount of Convertible Debentures convertible into a total of 424,430 shares of Common Stock, and 100,000 shares of $7 Cumulative Convertible Preferred Stock, $1.00 par value, convertible into a total of 650,406 shares of Common Stock.

Neither The Continental Corporation, nor any of its officers or directors, nor any of its subsidiaries, nor, insofar as The Continental Corporation is aware, any of the officers or directors of any of its subsidiaries, have effected during the past 60 days any transactions in Common Stock, $1.00 par value, of Diners' Club.

The Continental Corporation has not entered into any contracts, arrangements or understandings with any person with respect to any securities of Diners' Club; and in particular, it has not entered into any contract, arrangement or understanding with respect to transfer of any of the securities, joint venture, loan or option arrangement, puts or calls, guaranties of loans, guaranties against loss or guaranties of profits, division of losses or profits, or the giving or withholding of proxies.

The Common Stock of Diners' Club is listed on the New York Stock Exchange. The range of reported prices per share for the past 3 years and for the early part of 1970 has been as follows:

Year	*High*	*Low*
1967	49½	19½
1968	58⅜	35¼
1969	48¾	13¾
1970 (Jan. 1 to Feb. 4)	16½	11⅛

On February 4, 1970, according to THE WALL STREET JOURNAL, 1,300 shares were traded, at prices per share ranging from a high of $13 to a low of $12½, the closing price being $12¾.

Holders of Common Stock of The Diners' Club, Inc. who have such Common Stock held by and registered in the name of a broker are urged to contact their broker promptly if they desire to tender their shares.

Pursuant to Section 14(d)(5) of the Securities Exchange Act of 1934, as amended, shares of Common Stock of Diners' Club deposited pursuant to this offer before the close of business Friday, February 13, 1970, may be withdrawn by or on behalf of the depositor at any time prior to the close of business Friday, February 13, 1970. Thereafter depositors' acceptances of this offer will be deemed irrevocable. Checks in payment of the purchase price of shares purchased will not be mailed or delivered prior to the close of business on that date. Shares deposited but not purchased by Continental may be withdrawn by or on behalf of the depositor at any time after Tuesday, April 14, 1970.

If Diners' Club should, after the date of this offer, declare any dividend or distribution payable to stockholders of record on a record date prior to the transfer to Continental of the shares purchased pursuant to the offer, the purchase price per share will be reduced by the amount or value of such dividend or distribution or, in the case of stock dividends or other issuances of stock, proportionately.

Continental will pay a fee of 25¢ per share purchased to any firm or corporation that is a member of a national securities exchange or of the National Association of Securities Dealers, Inc. (or any complying foreign dealer) whose name appears in the appropriate space provided for in the Letter of Transmittal accompanying a tender as having solicited the tender.

Copies of this Offer to Purchase by Continental to the stockholders of Diners' Club dated February 6, 1970, and the Letter of Transmittal may be obtained from the Tender Agent, Manufacturers Hanover Trust Company, Corporate Trust Department, 40 Wall Street, New York, New York 10015.

THE CONTINENTAL CORPORATION
80 Maiden Lane, New York, N. Y. 10038

February 6, 1970

A-659

IMPORTANT

Please complete this letter carefully and deliver it with your stock certificates promptly. This letter must be received by the Tender Agent prior to 5:00 P.M. (Eastern Standard Time), on March 9, 1970, unless the offer is extended.

LETTER OF TRANSMITTAL

(LEAVE BLANK)

Ticket No.

To: MANUFACTURERS HANOVER TRUST COMPANY
Corporate Trust Department
40 Wall Street
New York, N. Y. 10015

Gentlemen:

Referring to the Offer to Purchase of The Continental Corporation, a New York corporation, with offices at 80 Maiden Lane, New York, N. Y. 10038 (the "Purchaser"), dated February 6, 1970, offering to purchase shares of the Common Stock of The Diners' Club, Inc. ("Diners' Club"), at $15 per share net, the undersigned accepts such offer on the terms and conditions therein and herein set forth (including the instructions hereto), and hereby deposits or agrees to deposit with you the following certificates representing shares of such stock properly endorsed for transfer to the Purchaser.

Certificate Number(s)	Number* of Shares Tendered	Total Number of Shares Represented by Certificates
	*All shares represented by certificates listed are deemed to have been tendered unless otherwise indicated in this space.	
Note: If space is inadequate, certificate numbers and numbers of shares may be listed on a separate schedule affixed hereto. If certificate numbers are not known, so state.		

If the certificates representing the shares tendered hereby are not enclosed, a firm or corporation which is a member of a national securities exchange or a commercial bank or trust company must guarantee in the space provided below that such certificates will be deposited with you no later than 8 business days after the date indicated below.

The undersigned hereby warrants that the undersigned has full authority to sell and transfer the above mentioned shares, and that the Purchaser will acquire good and unencumbered title thereto, free and clear of all liens, charges and encumbrances and not subject to any adverse claim, when the same are purchased by it. The undersigned will, upon request, execute any additional documents necessary or desirable to complete the sale and transfer of the above-described shares.

ASSIGNMENT

In consideration of the offer cited above and the payment of the purchase price specified therein, the undersigned hereby sells, assigns and transfers unto the Purchaser the shares of Common Stock of Diners' Club represented by the above described certificates, and hereby irrevocably constitutes you attorney to transfer said shares on the books of Diners' Club with full power of substitution in the premises.

You are to deliver the stock certificates, together with all accompanying evidences of authority, to or upon the order of the Purchaser against receipt by you as agent for the undersigned of the purchase price for such shares stated in the aforesaid offer. Delivery by you of such stock to the Purchaser shall be conclusive as to the performance of all conditions necessary to make this Letter of Transmittal effective.

TO BE USED ONLY IF CERTIFICATES ARE NOT TRANSMITTED HEREWITH

The undersigned,

☐ a member of a national securities exchange,

☐ a commercial bank,

☐ a trust company,

guarantees to deliver to the Tender Agent certificates in proper form for transfer for the shares tendered by this Letter of Transmittal not later than 8 business days after the date indicated below.

Sign Here .....
Authorized Signature

Please mail the check for the purchase price to the undersigned at the address shown below—unless otherwise indicated in the Special Payment Instructions below. If any of the shares mentioned above are not purchased by the Purchaser, please return the stock certificates representing such shares (and accompanying documents, as appropriate) to the undersigned at the address shown below—unless otherwise indicated in the Special Delivery Instructions below.

The undersigned understands and agrees that you shall not be liable hereunder for any act or omission of the Purchaser.

SPECIAL PAYMENT INSTRUCTIONS

To be completed ONLY if proceeds are to be paid to other than the registered holder(s).
Issue and mail check to:

Name.....
(Please print)

Address.....

.....
(Zip Code, Please)

SPECIAL DELIVERY INSTRUCTIONS

To be completed ONLY if certificates are to be returned to other than the registered holder(s).
Mail certificates to:

Name.....
(Please print)

Address.....

.....
(Zip Code, Please)

Very truly yours,

Please Sign Here .....

.....

Dated....., 1970.

Signature(s) of registered holder(s). (Must be signed by registered holder(s) exactly as name appears in certificate(s) or by person(s) authorized to become registered holder(s) by certificates and documents transmitted.)

To be used if tender is solicited by dealer or broker:

This tender was solicited by:
Firm name of dealer or broker—PLEASE PRINT
Address—PLEASE PRINT

Please Print Name and Address.....

.....

.....
(Zip Code, Please)

DO NOT WRITE IN THIS SPACE

Shares Received:			
Shares Accepted:	Check No.	Amount $	Date Mailed:
Shares Returned:	Certificate No.	Mail No.	Processed By:

INSTRUCTIONS

For Tender of Shares in Acceptance of Offer

1. Each holder of Common Stock of The Diners' Club, Inc. desiring to accept the offer should as soon as possible mail or deliver this Letter of Transmittal completely filled in and signed as specified herein together with the certificates representing his shares (unless delivery has been guaranteed as provided herein) and all documents required below, if any, to the Tender Agent, Manufacturers Hanover Trust Company, Corporate Trust Department, 40 Wall Street, New York, N. Y. 10015.

2. Stock certificates must be either (a) duly endorsed in blank or (b) accompanied by duly executed stock powers with, in either case, signatures guaranteed by a commercial bank or trust company, or by a firm or corporation which is a member of a national securities exchange.

3. If this instrument is executed by an officer on behalf of a corporation, or by an executor, administrator, trustee, guardian, attorney, agent or other person acting in a fiduciary or representative capacity, proper documentary evidence must be furnished of the authority of the person executing the same. Questions regarding such evidence of authority may be referred to the Tender Agent. In cases where the person signing the Letter of Transmittal is not the registered holder of the stock certificates tendered thereby, such certificates must either be endorsed in blank or accompanied by duly executed stock powers, signature guaranteed, evidencing proper assignment of the tendered shares to the person signing such Letter of Transmittal.

4. No stock transfer tax stamps, or funds to cover such stamps, need accompany this instrument. The Purchaser will pay any stock transfer taxes applicable to the transfer and sale to it. If payment of the purchase price is to be made to an assignee of the registered holder, or if deposited stock certificates are not registered in the name of the person signing the Letter of Transmittal, the amount of any stock transfer taxes on account of the transfer to such assignee or such person will be deducted from the purchase price, if evidence of the payment of such tax is not submitted.

5. The method of delivery of this instrument, the stock certificates, and documents (if any) is at the option and risk of the holder, but the delivery will be deemed effective only when actually received by the Tender Agent. If such delivery is by mail, it is suggested that insured registered mail be used.

6. No alternative, conditional or contingent tenders will be accepted.

7. The Purchaser, entirely at its election, may waive any of the specified conditions of its offer, in the case of any share or shares tendered or purported to be tendered.

PL EXH 26/27

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A-661

PLAINTIFFS' EXHIBIT 27

OTTO MARX, JR.
40 WALL STREET
NEW YORK 10005

THE CONTINENTAL INS. CO.
APR 2 . 1969
H. E. JOHNSON

April 16, 1969

The Diners Club, Inc.
Ten Columbus Circle
New York, New York 10036

Attention of Mr. Alfred Bloomingdale,
Chairman of the Board

Dear Sirs:

Pursuant to Paragraph 10.2(b) of that certain agreement between The Diners Club, Inc. and Fugazy Travel Bureau, Inc. dated October 10, 1967, the undersigned, being the registered holders of all of the shares of Common Stock bearing the legend referred to in said paragraph, do hereby notify you that the undersigned request that you file with the Securities and Exchange Commission a Registration Statement with respect to such shares of Common Stock.

In accordance with our understanding we are including in our request registration of the shares received by us under the agreements of September 28, 1968, and October 1, 1968, to the extent that such shares have been released to us under the provisions of Paragraph 3(b) of the October 1, 1968, agreement.

The intended method of distribution will be by private placement or by distribution to the public, with or without an underwriter.

In connection with such registration, the undersigned are prepared and hereby offer to advance to you an amount sufficient to reimburse you for one-half of all registration fees and expenses as provided in said paragraph 10.2(b), and to furnish the indemnity agreement referred to therein.

Very truly yours,

F T Ventures, Inc. (formerly
Fugazy Travel Bureau, Inc.)

By

BEST COPY AVAILABLE

P FAWCE

EXH. NO.
BORAK REPORTER

2/2/71

April 16, 1969

Otto Marx, Jr.

William D. Fugazy

Louis D. Fugazy

cc: Julian L. Weber, Esq.
Hays, Shler & Herzberg
200 Park Avenue
New York, New York 10017

Pl. Ex. 28
A-663

PLAINTIFFS' EXHIBIT 28

OTTO MARX, JR.
40 WALL STREET
NEW YORK 10005

APR 23 1969

April 21, 1969

APR 21 1969
J. V. HEAD

The Diners Club, Inc.
Ten Columbus Circle
New York, New York 10036

Attention of Mr. Alfred Bloomingdale,
Chairman of the Board

Dear Sirs:

Pursuant to Paragraph 10.2(b) of that certain agreement between The Diners Club, Inc. and Fugazy Travel Bureau, Inc. dated October 10, 1967, the undersigned, being the registered holders of all of the shares of Common Stock bearing the legend referred to in said paragraph, do hereby notify you that the undersigned request that you file with the Securities and Exchange Commission a Registration Statement with respect to such shares of Common Stock.

In accordance with our understanding we are including in our request registration of the shares received by us under the agreements of September 28, 1968, and October 1, 1968, to the extent that such shares have been released to us under the provisions of Paragraph 3(b) of the October 1, 1968, agreement.

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Very truly yours,

F T Ventures, Inc. (formerly
Fugazy Travel Bureau, Inc.)

By

Otto Marx, Jr.

William D. Fugazy

Louis D. Fugazy

Julian L. Weber, Esq.
Mays, Sklar & Herzberg
200 Park Avenue
New York, New York 10017

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PLAINTIFFS' EXHIBIT 29

April 24, 1969

Mr. Herd:

The attached letter, I believe, is an effort on the part of Otto Marx, Jr. to have Continental purchase his shares.

To my way of thinking there is nothing that needs to be done at the present time. Mr. Bloomingdale may discuss this at a later date but my reaction is to do nothing.

H. E. J.

EXH. NO. JOHNSON
BORAK REPORTING
11/29/71

A-666 Mr. W. E. Johnson MARKED COPY.

As filed with the Securities and Exchange Commission on August , 1969.

Registration No. 2-

THE CONTINENTAL INS. CO.
SEP 10 1969
H. E. JOHNSON

Ex. #30

PLAINTIFFS' EXHIBIT 30

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

RECEIVED
AUG 25 1969
J. V. HERD

Form S-1

REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

The Diners' Club, Inc.

(Exact name of registrant as specified in charter)

10 COLUMBUS CIRCLE, NEW YORK, NEW YORK 10019

(Address of principal executive offices)

ALFRED S. BLOOMINGDALE
Chairman of the Board and Chief Executive Officer
10 Columbus Circle
New York, New York 10019

(Name and address of agent for service)

Copy to:
JULIAN L. WEBER, ESQ.
Botein, Hays, Sklar & Herzberg
200 Park Avenue
New York, New York 10017

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

CALCULATION OF REGISTRATION FEE

Securities being registered	Amount being registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price	Amount of registration fee
Common Stock, $1 par value.....	84,447 shs.	$21*	$1,773,387*	$355

* Estimated solely for the purpose of calculating the registration fee.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Proof of 8-22-69—Sorg/N.Y.—WH. 3-3040—Diners Club (4662)

THE DINERS' CLUB, INC.

Cross Reference Sheet Pursuant to Rule 404(c)

Form S-1 Item		Prospectus Caption
1.	Distribution Spread	Cover Page
2.	Plan of Distribution	Cover Page, Selling Shareholders
3.	Use of Proceeds to Registrant	Not Applicable
4.	Sales Otherwise than for Cash	Not Applicable
5.	Capital Structure	Capitalization, Description of Capital Stock
6.	Summary of Earnings	Consolidated Statement of Net Earnings
7.	Organization of Registrant	The Company
8.	Parents of Registrant	Principal Shareholders
9.	Description of Business	The Company, Business of the Company
10.	Description of Property	Business of the Company
11.	Organization within 5 years	Not Applicable
12.	Pending Legal Proceedings	Pending Legal Proceedings
13.	Capital Stock Being Registered	Description of Capital Stock
14.	Long-Term Debt Being Registered	Not Applicable
15.	Other Securities Being Registered	Not Applicable
16.	Directors and Executive Officers	Management
17.	Remuneration of Directors and Officers	Management
18.	Options to Purchase Securities	Management
19.	Principal Holders of Securities	Principal Shareholders
20.	Interest of Management and Others in Certain Transactions	Interest of Management and Others in Certain Transactions
21.	Financial Statements	Consolidated Statement of Net Earnings, Report of Independent Certified Public Accountants, Consolidated Financial Statements

Proof of 8-22-69—Sorg/N.Y.—WH. 3-3040—Diners Club (4662)

OSPECTUS

The Diners' Club, Inc.

84,447 Shares
Common Stock
($1 par value)

ESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE ECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Prospectus relates to 84,447 outstanding shares of the Common Stock, $1 par value, of e Diners' Club, Inc. to be sold by certain shareholders who received or will receive such shares connection with several transactions in which the Company acquired businesses now operated as bsidiaries (see "Selling Shareholders"). Of such shares, an aggregate of 8,365 shares are subject her to certain restrictions on sale or to an escrow arrangement. The aforesaid restrictions on le are expected to be terminated on October 1, 1969, and the aforesaid escrow arrangement is pected to be terminated, with all or a part of the shares subject to it expected to be delivered to rtain of the Selling Shareholders, on October 25, 1969. Subject to the foregoing, all or part of the ,447 shares may be sold by the Selling Shareholders from time to time at private sale or sales negotiated prices or on the New York Stock Exchange (regular way or by special offering or herwise) at prices prevailing at the time or times of sale, with any commissions paid or discounts ven by the Selling Shareholders being those customary in the type of transaction involved. The lling Shareholders and broker-dealers through whom such sales may be effected may be deemed be "underwriters" within the meaning of the Securities Act of 1933, as amended. The excess of e sales price for such shares over the cost thereof to the Selling Shareholders and the compensa- on paid to such broker-dealers may be deemed to be underwriting commissions.

None of the proceeds of sale of the shares to which this Prospectus relates will be received y the Company. Of the expenses of registration of the shares, a portion, estimated at $28,177, ill be borne by the Company.

On , 1969, the closing price of the Company's Common Stock on the New York tock Exchange was $.

Prior to the expiration of 40 days after the effective date of the Registration Statement of hich this Prospectus is a part or prior to the expiration of 40 days after the first date upon which he Common Stock of the Company registered under such Registration Statement was bona fide ffered to the public by a Selling Shareholder or by or through an underwriter after such effective ate, whichever is later, all dealers effecting transactions in the registered securities, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in ddition to the obligation of dealers to deliver a Prospectus when acting as underwriters and with espect to their unsold allotments or subscriptions.

The date of this Prospectus is , 1969.

Proof of 8-22-69—Sorg/N.Y.—WH. 3-3040—Diners Club (4662)

BEST COPY AVAILABLE

THE COMPANY

The Diners' Club, Inc. is engaged primarily in the business of issuing and servicing the Diners Club credit card, which provides individuals and business enterprises with the convenience of charging the purchase of goods and services in many restaurants, hotels and motels, airlines, automobile rental agencies, gasoline service stations, retail stores and other establishments located throughout the world. The Company also engages in the business of providing travel and related services and in the business of operating a system of collection agencies.

The Company was incorporated in New York in March, 1949 and began to use its present name in March, 1950 (adopting such name as its corporate name on September 29, 1955).

Unless the context otherwise indicates, the terms "Diners" or the "Company", as used herein, mean The Diners' Club, Inc. and its subsidiaries.

REGISTRATION STATEMENT

The Company has filed with the Securities and Exchange Commission in Washington, D.C. a registration statement (herein called the "Registration Statement") under the Securities Act of 1933, as amended, with respect to the securities offered hereby. For further information with respect to the Company and the securities offered hereby, reference is made to the Registration Statement, including the exhibits and financial statements which are a part thereof. The summaries and descriptions of documents in this Prospectus do not purport to be complete; reference is made to the copies filed with the Securities and Exchange Commission for a full and complete statement of their provisions, and the summaries and descriptions are qualified in their entirety by such reference.

No dealer, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Prospectus in connection with the offering made hereby, and if given or made, such information or representations must not be relied upon as having been authorized by the Company or by any of the Selling Shareholders. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. Neither the delivery of this Prospectus nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Company since the date hereof or that the information and representations contained in this Prospectus are true and correct as of any time subsequent to its date.

Proof of 8-22-69—Sorg/N.Y.—WH. 3-3040—Diners Club (4662)

CAPITALIZATION

The following table sets forth the capitalization of the Company, including certain current debt, as of July 14, 1969.

	Authorized	Outstanding
LONG-TERM DEBT[1]:		
5⅛% Promissory Notes due October 1, 1980	$10,000,000	$10,000,000
6% Junior Subordinated Convertible Debentures due February 1, 1988	1,250,000	1,250,000
6% Senior Subordinated Convertible Debentures due February 1, 1988	1,250,000	1,250,000
6% Senior Subordinated Convertible Debentures due April 1, 1988	2,000,000	2,000,000
6% Junior Subordinated Convertible Debentures due June 30, 1988	2,500,000	2,500,000
6% Senior Subordinated Convertible Debentures due October 1, 1988	5,000,000	5,000,000
6¼% Senior Subordinated Convertible Debentures due January 1, 1989	2,500,000	2,500,000
6½% Junior Subordinated Convertible Debentures due March 1, 1989	1,250,000	1,250,000
7% Senior Subordinated Convertible Debentures due May 1, 1989	1,250,000	1,250,000
7½% Junior Subordinated Convertible Debentures due May 1, 1989	1,250,000	1,250,000
7% Senior Subordinated Convertible Debentures due July 1, 1989	1,250,000	1,250,000
7½% Junior Subordinated Convertible Debentures due July 1, 1989	1,250,000	1,250,000
	$30,750,000	$30,750,000
CERTAIN CURRENT DEBT[2]:		
Notes Payable—Banks	$ —	$68,124,000
Notes Payable—Commercial Paper	—	15,174,000
	$ —	$83,298,000
CAPITAL STOCK:		
Common Stock, $1 par value[3]	5,000,000 shs.[3]	2,423,557 shs.[4]

[1] The foregoing excludes miscellaneous long-term debt, including current portions thereof, amounting to approximately $766,000 in the aggregate as of July 14, 1969. See Note 8 of Notes to Consolidated Financial Statements.

[2] Not including accounts payable, accrued expenses and income taxes payable. The aggregate amounts of Notes Payable—Banks and Notes Payable—Commercial Paper change on a daily basis.

[3] The number of authorized shares of Common Stock was increased from 3,500,000 to 5,000,000 pursuant to a Certificate of Amendment to the Company's Certificate of Incorporation filed on July 22, 1969. See "Description of Capital Stock" for a discussion of that increase and for a summary of the provisions of the Company's Certificate of Incorporation with respect to the Company's Common Stock.

[4] The foregoing excludes 1,082 shares held in the Company's treasury as of July 14, 1969. Of such 1,082 shares, 917 are held pursuant to an escrow arrangement expected to be terminated on October 25, 1969 and such 917 shares (all or some of which will be delivered on that date to certain of the Selling Shareholders) are among the shares being offered hereby (see "Selling Shareholders"). The foregoing 2,423,557 shares also exclude, as of July 14, 1969, (a) 7,684 shares reserved for issuance upon the exercise of options granted under the Company's Amended Restricted Stock Option Plan, (b) 100,000 shares reserved for issuance upon the exercise of options granted and to be granted under the Company's 1968 Qualified Stock Option Plan, (c) 463,491 shares reserved for issuance upon the conversion of the Company's convertible debentures, and (d) 40,000 shares reserved for issuance with respect to certain post closing contingent payments in connection with the acquisition of Club Internationale Management Corp. (see "Business of the Company—Travel Division").

[5] See Note 11 of Notes to Consolidated Financial Statements for details with respect to certain commitments of the Company under long-term leases.

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CONSOLIDATED STATEMENT OF NET EARNINGS

The following Consolidated Statement of Net Earnings, which sets forth the consolidated results of operations of The Diners' Club, Inc. and subsidiaries for the five years ended March 31, 1969, has been examined by Touche, Ross, Bailey & Smart, independent certified public accountants, as set forth in their Report included elsewhere in this Prospectus. This statement should be read in conjunction with the other Consolidated Financial Statements and related Notes thereto included elsewhere in this Prospectus.

	Year Ended March 31,				
	1965	1966	1967	1968	1969
Credit card volume:					
United States and Canada	$210,651,000	$278,752,000	$359,774,000	$430,938,000	$528,955,000
Foreign subsidiaries	9,373,000	11,161,000	17,625,000	23,663,000	30,596,000
	$220,024,000	$289,913,000	$377,399,000	$454,601,000	$559,551,000
Revenues from credit card operations:					
Discount from establishments, cardholder fees and service charges	$ 19,640,000	$ 24,321,000	$ 31,950,000	$ 38,385,000	$ 44,745,000
Miscellaneous revenues from related operations	2,360,000	3,376,000	3,665,000	4,215,000	5,206,000
Revenues from other operations	713,000	857,000	1,293,000	7,889,000	17,772,000
	$ 22,713,000	$ 28,554,000	$ 36,908,000	$ 50,489,000	$ 67,723,000
Operating expenses:					
General and administrative	$ 4,823,000	$ 5,815,000	$ 7,488,000	$ 11,022,000	$ 14,770,000
Information processing	3,086,000	4,246,000	4,740,000	5,44[illegible]	7,323,000
Promotion and advertising	3,298,000	5,070,000	7,069,000	7,99[illegible]	12,232,000
Credit investigation and collection	2,288,000	3,002,000	4,192,000	8,082,00[illegible]	14,233,000
Provision for doubtful accounts	2,326,000	3,765,000	5,761,000	8,677,000	10,100,000
Interest	1,002,000	1,753,000	2,964,000	3,758,000	5,967,000
Depreciation and amortization	286,000	305,000	414,000	537,000	799,000
	$ 17,109,000	$ 23,956,000	$ 32,628,000	$ 45,514,000	$ 65,424,000
Earnings before income taxes, discontinued operations and extraordinary items	$ 5,604,000	$ 4,598,000	$ 4,280,000	$ 4,975,000	$ 2,299,000
Income taxes (Note 7):					
Current	$ 2,100,000	$ 1,724,000	$ 2,776,000	$ 1,552,000	$ 375,000
Deferred	795,000	586,000	(423,000)	978,000	1,010,000
	$ 2,895,000	$ 2,310,000	$ 2,353,000	$ 2,530,000	$ 1,385,000
Earnings before discontinued operations and extraordinary items	$ 2,709,000	$ 2,288,000	$ 1,927,000	$ 2,445,000	$ 914,000
Discontinued operations:					
Factoring and financing operations — Loss after applicable reduction of federal income taxes of $495,000 and $158,000, respectively (Note D)	504,000	171,000	—	—	—
Earnings before extraordinary items	$ 2,205,000	$ 2,117,000	$ 1,927,000	$ 2,445,000	$ 914,000
Gain on sales of interests in certain subsidiaries, net of deferred income taxes of $297,000	—	—	—	—	567,000
Net earnings (Notes C, E and G)	$ 2,205,000	$ 2,117,000	$ 1,927,000	$ 2,445,000	$ 1,481,000
Average number of shares outstanding	1,920,922	1,920,922	1,920,922	1,954,467	2,084,949
Net earnings per share (Note F):					
Before discontinued operations and extraordinary items	$1.41	$1.19	$1.00	$1.25	$ .44
Discontinued operations	.26	.09	—	—	—
After discontinued operations and before extraordinary items	$1.15	$1.10	$1.00	$1.25	$ .44
Extraordinary items	—	—	—	—	.27
After discontinued operations and extraordinary items	$1.15	$1.10	$1.00	$1.25	$ .71

See Notes to Consolidated Statement of Net Earnings (alphabetical) and Notes to Consolidated Financial Statements (numerical).

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NOTES TO CONSOLIDATED STATEMENT OF NET EARNINGS

A. For information describing principles of consolidation see Note 1 of Notes to Consolidated Financial Statements.

B. Certain figures for the four years ended March 31, 1968 have been revised to reflect current classifications.

C. The Company accounts for subscription income for "Signature" Magazine over the term of the subscription. Prior to the year ended March 31, 1967 this income was recorded as invoiced. The financial statements for prior years have been restated, resulting in a reduction of previously reported income and revenues as reflected in Note G.

D. In 1961 and 1962 the Company, primarily through acquisitions, entered the business of factoring and commercial financing, including accounts receivable and inventory financing. This business was conducted at a loss, and in early 1965 the Company commenced to sell and liquidate its various factoring and financing operations. This sale and liquidation has been substantially completed, with collection efforts being continued with respect to the few remaining accounts (see Note E).

E. Net earnings for the year ended March 31, 1965 are before a write-off of $327,000 of goodwill, relating to factoring and financing operations, which was charged to Earnings Retained in the Business.

F. Net earnings per share have been computed on the average number of shares outstanding during each year, after giving effect to 3% stock dividends, each year, and retroactive adjustment for shares issued in connection with businesses acquired as poolings of interests (see Note 1 of Notes to Consolidated Financial Statements). The Company has paid regular quarterly cash dividends of 12½ cents per share since June 15, 1964. The dilutive effect of the conversion of outstanding convertible debentures and exercise of stock options would not be material in any year.

G. A reconciliation of revenues and net earnings as previously reported and the amounts shown in the Consolidated Statement of Net Earnings is as follows:

	Year Ended March 31,				
	1964	1965	1966	1967	1968
Revenues:					
As previously reported	$20,321,000	$25,648,000	$34,229,000	$46,871,000	$67,723,000
Restatement of certain revenues previously offset against directly related expenses	912,000	1,234,000	—	—	—
Adjustment of subscription income as a result of change in accounting method	(27,000)	(63,000)	—	—	—
	$21,206,000	$26,819,000	$34,229,000	$46,871,000	$67,723,000
Companies acquired as poolings of interests—1969	713,000	857,000	1,293,000	1,909,000	—
Foreign subsidiaries not previously consolidated—1969	794,000	878,000	1,386,000	1,709,000	—
	$22,713,000	$28,554,000	$36,908,000	$50,489,000	$67,723,000
Net earnings:					
As previously reported	$ 2,151,000	$ 2,171,000	$ 2,597,000	$ 3,014,000	$ 1,481,000
Net effect of change in accounting method relative to subscription income	(14,000)	(32,000)	—	—	—
	$ 2,137,000	$ 2,139,000	$ 2,597,000	$ 3,014,000	$ 1,481,000
Companies acquired as poolings of interests—1969	(42,000)	(147,000)	(554,000)	(620,000)	—
Foreign subsidiaries not previously consolidated—1969	110,000	125,000	(116,000)	51,000	—
	$ 2,205,000	$ 2,117,000	$ 1,927,000	$ 2,445,000	$ 1,481,000

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olidated net earnings of the Company in fiscal 1969 declined sharply from those in fiscal 1968, lt primarily of losses in the Travel Division and also of increases in the ratios of operating evenues in the Credit Card and Collection Agencies Divisions. The expenses of the Credit Card ncreased in all major areas, including promotion and advertising, information processing, and estigation and collection. Interest expense also increased substantially. The increase in expenses llection Agencies Division was attributable principally to systems conversions in connection with n of the operations of acquired companies.

the three month period ended June 30, 1969, the Company's consolidated revenues were 00, as compared with $16,253,000 for the corresponding period of 1968. Consolidated net for the three month period ended June 30, 1969 were $768,000, as compared with $719,000 for ponding period of 1968, and net earnings per share (which are based on the average number utstanding during the respective three month periods) were $.33, as compared with $.35.

foregoing financial information is unaudited, but in the opinion of the management of the , all adjustments (which include only normal recurring adjustments) have been made which are to present fairly the consolidated results of operations for such three month periods. The ed results of operations for the three months ended June 30, 1969 are not necessarily indicative solidated results of operations for the fiscal year ended March 31, 1970.

BUSINESS OF THE COMPANY

Company's principal operations are organized into three divisions: the Credit Card Division, l Division and the Collection Agencies Division. The Company first entered both the business ng travel and related services and the collection agencies business in the fiscal year ended 1, 1968, and the first full fiscal year of operation of these businesses was the fiscal year ended 1, 1969. The following table shows the approximate contribution of each of the three divisions to ny's consolidated revenues and earnings (before extraordinary items and provision for income fiscal 1968 and in fiscal 1969:

	Credit Card Division	Travel Division		Collection Agencies Division[4]	Total
		Diners/ Fugazy Travel Group[1, 2]	Club Internationale Management Corp.[3]		
d March 31, 1968:					
es	$42,693,000	$2,412,000	$ 552,000	$ 4,886,000	$50,489,000
gs (loss) before ordinary items and e taxes	5,402,000	258,000	(1,362,000)	677,000	4,975,000
d March 31, 1969:					
es	49,951,000	5,550,000	1,076,000	11,146,000	67,723,000
gs (loss) before ordinary items and e taxes	3,511,000	(617,000)	(881,000)	286,000	2,299,000

mpany acquired the business of Fugazy Travel Bureau, Inc. as of October 30, 1967. The financial information ve for the year ended March 31, 1968 reflects the results of operations from the date of acquisition.

rnings of the Diners/Fugazy Travel group have been adversely affected by the following charges:

	Year Ended March 31,	
	1968	1969
missions paid under, and amortization of settlement of, additional com- nsation portion of employment agreements with officers of Fugazy Travel ureau, Inc. Such payments were, and amortization is, directly related sales of franchises (see "Interest of Management and Others in Certain ransactions—Fugazy Travel Bureau, Inc." and Note 6 of Notes to Con- lidated Financial Statements)	$466,000	$440,000
nses relative to the suspension of steamship operations for which Diners/ gazy conducted sales activities under agency agreements	—	250,000
rtization of goodwill (see Note 5 of Notes to Consolidated Financial tements)	10,000	120,000
	$476,000	$810,000

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[3] The earnings of Club Internationale Management Corp. have been adversely affected in the fiscal years ended March 31, 1968 and March 31, 1969 by provisions for anticipated costs in excess of receipts represented by Club members' payments available for providing future trips due such members of $1,340,000 and $480,000, respectively (see "Business of the Company—Travel Division—Club Internationale Management Corp.").

[4] This division was formed in July, 1967 upon the purchase of the business of National Account Systems, Inc. Later acquisitions included the purchase of Creditors Service, Inc. in January, 1968. The financial information included above for the year ended March 31, 1968 reflects the results of operations from the respective dates of acquisition. The results of operations of other companies included in the division are not material.

Credit Card Division

Diners Club Credit Card. The Company issues its Diners Club credit card to credit-worthy individuals, firms and corporations in the United States and Canada (herein called "Cardholders"). The card is a "universal" or "all purpose" credit card, entitling Cardholders to charge the purchase of goods and services at member establishments throughout the world (herein called "Member Establishments"), including restaurants, hotels and motels, airlines, automobile rental agencies, gasoline service stations and a wide variety of retail stores and other establishments. At the present time there are approximately 1,200,000 Cardholders in the United States and Canada, 600,000 holders of Diners Club cards issued outside the United States and Canada by foreign companies to which the Company has franchised its name and method of doing business (herein called "Foreign Franchisees") and approximately 275,000 Member Establishment locations throughout the world.

The Company issues its credit card only upon application and charges annual membership fees of $15 per primary card (or $7.50 for each supplementary card issued on an existing account). Such fees were recently increased, effective April 1, 1969, from $12 and $7 respectively. The Company renders a single monthly bill to each Cardholder account, covering charges wherever incurred. Bills to Cardholders are due upon receipt. In some cases, principally in connection with airline tickets, Cardholders may elect to pay for charges on an extended payment basis. The Company's processing of Cardholders' charges and billing of Cardholders are handled by a system involving the use of automatic data processing equipment.

New Cardholders are obtained through direct mail solicitation, applications provided in the numerous point of sale "Take-One" application displays which the Company maintains on the premises of Member Establishments and elsewhere, agents of the Company in face-to-face solicitation at airports, trade shows and elsewhere, referrals from existing Cardholders, newspaper and magazine advertising, unsolicited requests and supplementary cards issued on existing accounts.

The following table shows the approximate number of United States and Canadian Cardholders as of the close of each of the fiscal years indicated:

As of March 31,	Approximate Number of Cardholders
1969	1,157,000
1968	1,044,000
1967	997,000
1966	935,000
1965	821,000

As of March 31, 1969 approximately 88% of the Company's Cardholders were primary and 12% were supplementary.

The Company has agreements with its Member Establishments under which it purchases from them Cardholders' charges at the face amounts thereof, less a discount varying with the type of establishment and, in certain cases, with volume of charges (except that airline extended payment charges are purchased

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at their face amounts, without discount). The average discount on United States and Canadian Cardholders' charges, wherever incurred, in fiscal 1969 (including airline extended payment charges, and charges incurred in the United States and Canada by holders of cards issued by Foreign Franchisees, net of discount-sharing adjustments, was approximately 4.18%. The Company and its respective Foreign Franchisees share the discount on charges incurred in the Member Establishments of one by cardholders of the other, with the issuer of the card on which any such extra-territorial charge is incurred receiving 2.75% of the charge.

The Company does not share (other than as a stockholder of its Foreign Franchisees, where such is the case) in the fees received by its Foreign Franchisees from their cardholders but does receive royalties based upon the volume of charges by such cardholders outside the United States and Canada. The total amount of such royalties in the fiscal year ended March 31, 1969 was approximately $635,000. The Company has 35 Foreign Franchisees operating in over 140 foreign countries. The Company owns more than 50% of the capital stock of its Foreign Franchisees for Great Britain, Argentina, Scandinavia, Chile, New Zealand and the Middle East (having acquired the majority interest in the latter three Foreign Franchisees after March 31, 1969), and owns minority interests in a number of others. The Company owned all of the capital stock of its Foreign Franchisee for Venezuela for some years prior to March 31, 1969, as of which time it sold 51% of such capital stock to Mercantil de Colocaciones, S.A., for approximately $1,000,000.

During the Company's fiscal year ended March 31, 1969, the total volume of charges by Cardholders, wherever incurred, and charges in the United States and Canada by holders of cards issued by the Company's Foreign Franchisees, was approximately $480,042,000. During the same year the total volume of charges incurred outside the United States and Canada by holders of cards issued by the Company's Foreign Franchisees (including majority owned Foreign Franchisees) was approximately $190,000,000.

The obligation to collect from Cardholders rests with the Company, and in the event of non-payment the Company uses customary methods of collection. Provision for doubtful accounts charged against earnings during the past five fiscal years has ranged between 1.03% and 2.15% of the volume of charges by United States and Canadian Cardholders in such years. In the fiscal year ended March 31, 1969, the provision was 1.87% of such volume and net credit losses amounted to $7,464,000, or 1.61% of such volume.

In order to obtain the working capital necessary to finance its purchases of charges from Member Establishments prior to collections from Cardholders, the Company borrows substantial funds. This financing is accomplished to a certain extent through long-term borrowings at fixed interest rates, but primarily by means of short-term borrowings from banks, at then current prime interest rates and by means of the sale of its short-term commercial paper (see "Capitalization"). The Company is directly affected in its short-term financing arrangements by rises in interest rates and has been adversely affected by the frequent such rises in recent years, the latest of which, in June, 1969, was an increase in the prime interest rate on short-term bank borrowings from 7½% to 8½% per year.

Publications. The Company publishes "Signature" Magazine, a monthly publication devoted to articles of general interest and containing advertising. The magazine is distributed, for an annual subscription fee of $2, principally to Cardholders, of which approximately 75% subscribe. The Company, through a subsidiary, also published "Bravo", a magazine devoted to music and the performing arts and containing advertising. The "Bravo" Magazine operations were conducted at a loss, and the magazine was sold in August, 1969.

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Insurance Programs for Cardholders and Others. A subsidiary of the Company has acted for some years as an agent for certain insurance carriers in selling travel accident and hospital-medical insurance to Cardholders. Premiums are billed to subscribing Cardholders on the regular Diners Club billing statements. Another subsidiary of the Company, acquired in January, 1969, sells travel accident insurance to the general public, as agent for insurance carriers, at counters and vending machines at various airport locations throughout the United States and through travel agents. All such insurance sales are made on a commission basis, and in connection with these insurance programs the Company's subsidiaries maintain appropriate insurance agency licenses where required.

Merchandise Sales and List Rentals. The Company frequently promotes the sale of selected items of merchandise to its Cardholders, by direct mail solicitation and advertisements in "Signature" Magazine. Such sales are customarily made on a commission basis as agent for the supplier of the merchandise and Cardholders are offered the privilege of charging such purchases on their Diners Club cards, on either a current or extended payment basis.

The Company also undertakes to enclose inserts with its billing statements, on a fee basis, for others engaged in soliciting the sale of merchandise and services, and rents its list of Cardholders' names and addresses to selected users for purposes of direct solicitation by them of the sale of merchandise and services.

American Torch Club Program. The Company recently concluded arrangements with American Oil Company, a subsidiary of Standard Oil Company (Indiana), for the joint sponsorship of the American Torch Club travel and entertainment credit card. American Torch Club memberships are presently being offered to selected holders of American and Standard service station credit cards. The card, for which an annual fee is charged, is honored at Diners Club Member Establishments. American Oil is responsible for promotion, credit investigation, collections and billing, while the Company is responsible for receiving charges from and making payments to Member Establishments, processing charges prior to billing and certain other matters. The Company receives a share of both the annual membership fees for the American Torch Club card and the discounts from Member Establishments in connection with the purchase of cardholders' charges.

Direct Credit Plan. Pursuant to agreement with Associates Investment Company, the Company recently instituted a plan whereby unsecured loans up to $25,000 are offered to qualified Cardholders, with all aspects of the transactions being handled by mail. The Company is responsible for the promotion of the plan and will receive allowances based upon its initial costs and its continued promotional activities. The Company does not make the actual loans and is not subject to credit losses under the plan.

Custom Credit Cards. Through its subsidiary, Financial Services, Inc., the Company issues and services "custom" or "private label" credit cards for a number of clients, including Eastern Air Lines, American Airlines, National Airlines, Northeast Airlines, certain E. J. Korvette department stores and several banks, including the Bank of Delaware, the Trenton Trust Company and the Security Trust Company of Rochester. Recently, Financial Services, pursuant to agreement with Ford Motor Company, commenced a test program in several cities in the United States with respect to a Ford credit card for the charging of parts and services at Ford and Lincoln-Mercury dealers. Financial Services has also recently entered into an agreement with Inter-Service Club Card, Inc. to service a credit card for United States military clubs (see "Interest of Management and Others in Certain Transactions—Anthony F. Kopp"). A custom credit card operation of another subsidiary, for smaller clients in the State of Hawaii, is in the process of being discontinued.

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Custom credit cards, which bear only the name of the client, are generally for use only with respect to purchases of the various clients' products or services, an important exception being the bank credit cards, which are usable at a variety of retail stores and other establishments in the banks' respective geographical areas or in broader areas pursuant to reciprocal arrangements with other banks. Custom credit cards are generally issued without fee and offer extended payment privileges, with interest payable monthly on outstanding balances. In some cases, in addition to performing the card issuance, charge processing and billing functions for its clients, Financial Services provides the financing for the accounts receivable from cardholders and retains the full interest charges from and bears the risk of non-payment by the cardholders; in other cases, Financial Services acts as a service bureau, performing only the data processing and related functions at specified fees and without financing obligations or credit risk. Financial Services maintains an automatic data processing center in the Philadelphia area for its charge processing, billing and other functions.

The volume of custom credit card charges handled by the Company's subsidiaries in the fiscal year ended March 31, 1969 was approximately $48,912,000.

Wayfarers Club. In February, 1966, the Company, through a subsidiary, commenced a travel service for Cardholders and the general public, called Wayfarers Club. Wayfarers, for an annual fee, provided travel information, travel accident insurance, a subscription to a travel magazine and other travel information and services to its members. The Wayfarers Club operation suffered a loss in fiscal 1969 and was sold as of the end of that fiscal year.

Travel Division

Diners/Fugazy Travel, Inc. The Company entered the business of providing travel and related services in October, 1967, with the acquisition, through a subsidiary, of the business of Fugazy Travel Bureau, Inc. for $3,504,266 (as adjusted) and 62,000 shares of the Company's Common Stock, of which 5,000 shares were paid to A. Mitchell Liftig, a broker who represented the seller corporation in connection with such acquisition (see "Interest of Management and Others in Certain Transactions--Fugazy Travel Bureau, Inc."). The Company's subsidiary, Diners/Fugazy Travel, Inc., continues a travel business established in 1870, and offers general and commercial travel services at both the retail and wholesale levels, package tours, group travel arrangements and incentive travel and merchandising programs.

Diners/Fugazy's retail travel agency business is conducted primarily through franchisees licensed by Diners/Fugazy to use its name and method of doing business. Such franchise program had been instituted by the Fugazy business shortly prior to its acquisition by the Company's subsidiary. At present there are 147 Diners/Fugazy retail travel offices in the United States and elsewhere in the world, of which 130 are franchised. Arrangements have been completed for the opening of an additional 29 franchised offices. Each of the franchisees pays Diners/Fugazy an initial franchise fee plus a continuing percentage of gross sales. The franchised offices in the United States are operated as branches of Diners/Fugazy, and Diners/Fugazy leases the premises for these franchisees, makes available to them certain amounts of working capital and provides continuing services regarding their operations. In connection with Diners/Fugazy's franchising operations, see "Pending Legal Proceedings" for a discussion of a recently instituted lawsuit, involving the sale of 17 franchises, primarily in the State of Texas, in which the principal allegation is that such sale constituted a sale of securities. With respect to those 17 franchises, only five had commenced operations and two of these have been resold. The other three are intended to be resold also and are presently being operated by Diners/Fugazy.

In the wholesale travel area, a Diners/Fugazy subsidiary, Dial-A-Tour, Inc., creates package tours, principally oriented to the Caribbean area, Florida and Mexico, which are sold by both Diners/Fugazy

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franchises and retail travel agencies unrelated to the Company. In April, 1968, to supplement its wholesale travel services, the Company acquired all the outstanding capital stock of SITA World Travel, Inc., a tour packager and creator of guided tours, primarily with respect to overseas travel. The consideration was approximately $950,000 (as adjusted). In addition, the former principal shareholder of SITA is serving as a consultant to it under a five-year arrangement providing for a fixed annual fee of approximately $30,000 and additional amounts (not to exceed a maximum of $60,000 per year) contingent on the sales and earnings of SITA and other circumstances relating thereto. SITA presently has 31 offices in the United States and abroad, of which 12 are owned by SITA and 19 are owned by Diners/Fugazy foreign franchisees.

Diners/Fugazy also provides incentive travel and merchandising programs, which are individualized programs developed in cooperation with various businesses and other organizations which wish to award travel and merchandise bonuses as incentives for performance to their respective employees, dealers, distributors and others. Diners/Fugazy supplies the travel arrangements and merchandise for the programs.

The recent activities of Diners/Fugazy as general sales agent for passenger steamships have been terminated as a result of the withdrawals from service of the S. S. Independence in December, 1968 because of labor difficulties and of the S. S. Caribia in March, 1969 due to mechanical damage requiring major repairs. Diners/Fugazy is presently exploring possible means of recovery of certain sums advanced by it to the operator of the Caribia, which sums were to have been repaid out of revenues from cruise operations of the ship.

Club Internationale Management Corp. In June, 1968, a newly formed subsidiary of the Company, Club Internationale Management Corp. (herein called "CIMC"), acquired the assets of the corporation managing the business of Club Internationale, a non-profit corporation providing a prepaid vacation travel program for its members. The consideration paid by the Company in connection with such acquisition was 19,990 shares of its Common Stock (and the Company may be required to issue up to 40,000 additional shares of Common Stock, depending upon future membership levels of Club Internationale). Also, the Company paid A. Mitchell Liftig, a broker who represented it in connection with such acquisition, 3,000 shares of its Common Stock in full consideration for his services relative to such acquisition (see "Selling Shareholders").

Club Internationale offers a three-year prepaid vacation travel program under which participating members make regular monthly or weekly payments to the Club entitling them at the end of each of the first two years to an 8-to-10 day vacation in the Western Hemisphere (including Puerto Rico, Mexico and Curacao) and at the end of the third year to a three-week European vacation. A new program, effective July 1, 1969, offers up to three 15-day vacations in Europe, the Caribbean or Mexico during the membership term. CIMC performs all management and financial functions for the Club, including the making of the vacation travel arrangements. CIMC has franchised or opened directly a number of local Club chapters throughout the United States. Club members pay dues to the Club, currently at the rate of $30 per year, entitling such members to participate in social activities at the local chapters. There are presently approximately 25,000 members of Club Internationale participating in the prepaid vacation travel program and a relatively small number of Club members who do not participate in that program. The Club has 45 chapters, of which 27 are franchised.

The Club pays CIMC, as compensation for its services (and for bearing the costs and expenses necessary to perform such services), an amount equal to 10% of the gross receipts from Club members

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(including dues and payments pursuant to the vacation travel program). In addition, CIMC is entitled to all of the income from the investment of Club members' periodic payments under the vacation travel program.

As a result, primarily, of an inadequate pricing structure for the vacation travel program in effect for the period prior to the acquisition of this business, the Company anticipates that the costs of providing trips under the program contracted for during that period will exceed receipts represented by Club members' related payments (after deducting payments to CIMC and payments to local Club chapters for membership acquisition, enrollment and maintenance). Although CIMC's responsibility with respect to the purchase of trips for the Club is limited to the funds available therefor, the Company nevertheless established a reserve with respect to such excess costs. CIMC was acquired on a pooling of interests basis, and such reserve resulted in a reduction of consolidated net earnings in prior years, in the amount of $1,310,000, net of applicable tax benefit. The estimated costs for trips contracted for during some period after the acquisition are also expected to exceed Club members' related payments, and in this connection the foregoing reserve has been increased, by means of a charge against the Company's consolidated net earnings for the fiscal year ended March 31, 1969, in the amount of $240,000, net of applicable tax benefit. The pricing structure for the Club Internationale vacation travel program has been revised in an effort to bring the Club members' payments in line with anticipated costs of providing the vacations.

Collection Agencies Division

The principal business of the Company's collection agency subsidiaries, which are operated under the name National Account Systems, is the collection of delinquent accounts receivable of businesses and other organizations, including major oil companies, utilities, retailers, banks, hospitals and airlines. Collections are undertaken on a contingent fee basis, generally ranging between 33⅓% and 50% of the amounts collected. Operating through 59 offices throughout the country, of which 15 are franchised, National Account Systems accepted for collection an aggregate of approximately $118,000,000 of accounts in the fiscal year ended March 31, 1969.

The Company's collection agency operations commenced with the acquisition in July, 1967, by a subsidiary, of substantially all of the assets of National Account Systems, Inc., a Chicago based agency primarily servicing the Midwest. The price was $1,329,850 (and the Company may be required to make payments in the future, up to $626,300, contingent upon earnings of the collection agencies operations). In December, 1968, the headquarters of National Account Systems was expanded, modernized and relocated within Chicago.

Since the acquisition of National Account Systems, the Company has acquired twelve collection businesses of various sizes at different locations in the United States, including the Creditors Service collection agencies, which serve the Midwest and the Far West, for $3,422,839, A. B. Hartman, Inc., a New York City based agency, for $1,350,000, and the National Adjusters collection agencies, which primarily serve the Rocky Mountain area, for 30,538 shares of Common Stock. Other agencies which were acquired (all but one of which was acquired for cash) service various areas of the Middle Atlantic States, the Southeast, the Midwest and the Far West. During the Company's past fiscal year seven new offices were opened directly to service additional cities in these areas.

Under a recently instituted franchise program, independent collection agencies may become franchised members of the National Account Systems group upon the payment of initial franchise fees and continuing

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based upon collections. Such franchisees are provided with certain processing and other services to the collection business.

Other Operations

Queen Mary. A subsidiary of the Company is the master lessee, under a 25 year lease, of the hotel, retail, convention and certain other commercial facilities on the former passenger steamship Queen Mary now owned by the City of Long Beach, California, and intended to be developed into a tourist and convention center there. Under the lease, which provides for stated annual rental payments subject to increases based upon specified percentages of revenues of the subsidiary, the Company's subsidiary is obligated to undertake certain renovation on the Queen Mary, the cost of which is estimated by the Company to be approximately $7,800,000, of which approximately $1,318,000 was spent in the fiscal year ended March 31, 1969. The Company is considering various means of financing the balance of this renovation and certain other projects related to the Queen Mary. It is expected that the renovation will be completed and the commercial portions of the ship opened in the late summer of 1970.

The Company's subsidiary recently entered into a sublease for the operation by Sky Chefs, Inc., a subsidiary of American Airlines, Inc., of a 411-room hotel, and major restaurant and convention facilities on the Queen Mary. The sublease, which runs for a term concurrent with the master lease, provides for annual rentals to the Company's subsidiary subject to increases based upon specified percentages of revenues of Sky Chefs from the subleased facilities, and also requires that the sublessee pay certain costs related to the hotel conversion. The Company's subsidiary has entered into or expects to enter into subleases, principally with respect to various retail shops on board ship. In connection with the lease to Sky Chefs, the Company and its subsidiary, together with others, are defendants in certain litigation discussed under "Pending Legal Proceedings".

Reservations/World. The Company has been engaged for some time in the development of a computerized reservations system for hotels and motels. Until recently, the project, called Reservations/World, was conducted through a joint venture between a subsidiary of the Company and a subsidiary of Litton Industries, Inc. The Litton subsidiary withdrew from the project as of March 31, 1969, at which date the Company had invested approximately $1,645,000 in the project. The first stage of the project, consisting of the computer in-put programming, is essentially completed and operational. However, management of the Company has decided not to make the large additional investment which would be required for completion of all stages of the project, and has been conducting negotiations for the sale of the system to American Airlines, Inc. A tentative understanding has been reached whereby American may purchase the system for a purchase price of $2,750,000, payable out of the profits of the system in accordance with a formula under which, even if there are profits, payment of the full amount may take a number of years. Consummation of the purchase and sale is subject to further investigation by American, execution of a formal agreement by the parties, and final determination by American to be given on or before December 20, 1969. As of that date, the Company estimates that its investment in Reservations/World will be approximately $3,250,000. Upon execution of a formal agreement, American would reimburse the Company for certain of its expenses in operating the system after July 1, 1969. It is contemplated that the agreement will provide that the Company will participate with American in the development and marketing of the system outside the United States and Canada.

International Floatels. In February of this year, following research and feasibility studies, the Company announced a system developed by its subsidiary, International Floatels, Inc., of waterborne

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otels and motels to be constructed on floating hulls. This "Floatels" system is intended to be marketed n a franchise basis in the United States and abroad. Arrangements have been made for construction of he floating units by several houseboat building firms, and the first Floatels franchise, covering the west oast of Florida, has been sold. The Company's subsidiary does not expect to be involved in the ownership nd financing of properties or facilities, but will derive its revenues from franchise fees, commissions nd royalties. The Company currently is considering a tentative proposal by a company engaged in the nancial and leisure fields for the participation by such company in the development of the Floatels stem. Such participation would take the form of the purchase by such company of 50% of the equity f International Floatels, and arrangements would be made for such other company to provide mortgage nancing to the franchisees.

Factoring and Financing Operations. In 1961 and 1962 the Company, primarily through acquisi- ons, entered the business of factoring and commercial financing, including accounts receivable and ventory financing. This business was conducted at a loss, and in early 1965 the Company commenced sell and liquidate its various factoring and financing operations. This sale and liquidation has been bstantially completed, with collection efforts being continued with respect to the few remaining accounts. One of the Company's factoring and financing subsidiaries is appealing a judgment against it entered litigation arising out of circumstances occurring prior to its acquisition by the Company (see "Pending egal Proceedings").

Trademarks and Licensing

The Company is the owner of various trademarks and service marks registered in the United States nd certain foreign countries, the most significant of which are the name and style "Diners Club" and he Diners' split circle emblem, the use of which has been licensed by the Company, principally to its oreign Franchisees. Diners/Fugazy owns the name "Diners/Fugazy" and an emblem thereof and milarly licenses the use thereof to its franchisees. National Account Systems owns its name and is esently seeking registration in the United States of the mark "NAS". It licenses the use of both its me and mark to its franchisees. Club Internationale Management Corp. is the registered owner in he United States and in several foreign countries of the "Club Internationale" trademark, and licenses s use to Club Internationale and its various franchisees. Other trademarks and service marks of the ompany primarily relate to the tour packaging operations of the Company's travel business. The ompany does not believe that any material part of its business is dependent upon any one or all of its arks, except the "Diners Club" mark, which the Company believes is valid and in good standing in ll jurisdictions in which it is registered.

Competition

In all the major aspects of its business operations, the Company faces substantial competition.

There are at present two other credit card operations comparable with that of the Diners Club and hich are in keen direct competition with the Company both for cardholders and for member establish- ents. One of these is larger than the Company's and both are operated by corporations with significantly reater resources than the Company's. There are also numerous banks and other concerns which issue "all urpose" credit cards, at no membership charge, for local and regional use, including a number of banks and nking associations with significantly greater resources than the Company's. The competition from these urces has increased recently by virtue of several bank card interchange and franchise programs pursuant o which certain bank cards can be used nationally and, to some extent, internationally. In addition,

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the Company faces competition from organizations, such as airlines, auto rental companies and oil companies, which issue credit cards to users of their own services and merchandise.

The arrangements made by the Company with Member Establishments are generally on a non-exclusive basis and, accordingly, Member Establishments may make similar arrangements with credit card operations in competition with that of the Company.

The Company's travel operations face substantial competition from numerous international, regional and local travel organizations. At least one of the international organizations is significantly larger than the Company. Also, numerous other companies, several of which are larger than the Company, are engaged in the incentive travel and merchandising area.

The Company's collection agency operations also face substantial competition, both from local independent collection companies in the various areas in which Company offices are located and from nationwide collection organizations.

Employees

The Company has approximately 2,750 employees in the United States and Canada, of which approximately 600 (for the most part clerical personnel) are unionized. In April, 1965, in connection with the implementation of a program to convert the Company's charge processing and billing functions to a system involving automatic data processing, there was a four day strike by clerical employees of the Company at its New York City headquarters. The Company believes that its labor relations are generally satisfactory.

Offices and Properties

The Company owns no real property and rents space for its offices and other operations under leases for varying terms.

The executive headquarters of the Company, at 10 Columbus Circle, New York, New York, are located in approximately 76,000 square feet under leases expiring in 1975. Executive offices are also maintained at Century City, Los Angeles, California, in approximately 22,000 square feet under a lease expiring in 1975. The executive offices of Diners/Fugazy are located in approximately 19,000 square feet at 660 Madison Avenue, New York, New York, under a lease expiring in 1978, the headquarters of National Account Systems in approximately 23,000 square feet at 53 West Jackson Boulevard, Chicago, Illinois, under a lease expiring in 1984, and the headquarters of Financial Services, Inc. in Bala Cynwyd, Pennsylvania, in approximately 20,800 square feet in two buildings, under leases expiring in 1972. The Company's numerous regional offices are generally held under short-term leases. The Company does not anticipate any serious difficulty in renewing any lease for any of its facilities or of obtaining adequate substitute facilities upon the respective expirations of those leases.

Reference is made to Note 11 of Notes to Consolidated Financial Statements for further information with respect to the Company's real property leases.

The Company leases three complete automatic data processing systems, one of which is maintained at its New York headquarters, another at the Chicago headquarters of National Account Systems, and the third at the offices of Financial Services, Inc. The present aggregate annual rental under the leases relating to those systems is approximately $1,800,000. Basic to all these systems are "third generation" computers which the Company believes are presently adequate for the needs of the respective systems.

See "Business of the Company—Certain Other Operations—Queen Mary" for information concerning the Company's lease of certain facilities on the Queen Mary.

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DESCRIPTION OF CAPITAL STOCK

On July 18, 1969 the shareholders of the Company authorized an amendment to the Certificate of Incorporation of the Company to increase the number of shares of Common Stock, $1 par value, authorized for issuance from 3,500,000 to 5,000,000, and a Certificate of Amendment providing for such an increase was filed on July 22, 1969. At present, the authorized capital stock of the Company consists solely of the aforesaid 5,000,000 shares of Common Stock, of which 2,423,557 shares (excluding 1,082 shares held in the Company's treasury) are now issued and outstanding. Upon completion of the offering made hereby, it is expected that 2,424,474 shares (excluding 165 shares held in the Company's treasury) will be issued and outstanding (see "Selling Shareholders").

Common Stock

The following statements are summaries of certain provisions of the Company's Certificate of Incorporation with respect to its Common Stock. The holders of the Common Stock are entitled to such dividends as may be declared by the Board of Directors of the Company out of funds legally available therefor. Each share of Common Stock is entitled to one vote, and the sole voting power of the Company is vested in the holders of the Common Stock. No preemptive rights attach to shares of Common Stock, and such shares are not convertible or subject to redemption, the operation of a sinking fund, or further assessments by the Company. The holders of the Common Stock are entitled to share ratably in the assets of the Company available for distribution to shareholders in the event of liquidation, dissolution or winding up. All the outstanding shares of Common Stock, including the shares being offered hereby, are fully-paid.

Non-Cumulative Voting With Respect to Common Stock

Voting rights with respect to the Common Stock are non-cumulative, which means that the holders of more than 50% of the outstanding shares voting in an election of directors will be able to elect all of the directors, and, in such event, the holders of the remaining shares will not be able to elect any person as a director.

Long-Term Debt Agreements

The right of the Company to pay dividends, among other matters, is subject to certain limitations contained in the various agreements pursuant to which the Company issued the long-term debt referred to under the heading "Capitalization". See "Interest of Management and Others in Certain Transactions —The Continental Insurance Company—Dividend Limitations" for a discussion of such limitations, as contained in the agreements between the Company and The Continental Insurance Company relating to long-term debt of the Company held by Continental. The limitations contained in other agreements relating to long-term debt of the Company (that is, the 5⅛% Promissory Notes due October 1, 1980, which are held by The Prudential Insurance Company of America, and the 6% Senior Subordinated Convertible Debentures due April 1, 1988, which are held by three affiliates of Investors Diversified Services) are substantially identical to those contained in the agreements between the Company and Continental.

Market Prices

The price ranges of the Common Stock of the Company on the New York Stock Exchange since January 1, 1967 (as indicated by the quarterly high and low sales prices, as adjusted to the nearest one-

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eighth for 3% stock dividends paid June 15, 1967 to shareholders of record on June 1, 1967 and paid June 14, 1968 to shareholders of record on May 27, 1968) were as follows:

	High	Low
Calendar 1967		
First Quarter	24½	18⅜
Second Quarter	33	19⅞
Third Quarter	39¾	31¾
Fourth Quarter	48	32
Calendar 1968		
First Quarter	47⅛	34¼
Second Quarter	58¾	41½
Third Quarter	56½	46⅞
Fourth Quarter	57¼	46⅞
Calendar 1969		
First Quarter	48¾	28⅝
Second Quarter	32	21
Third Quarter through August 20	25	19⅞

The closing price of the Common Stock on the New York Stock Exchange on , 1969 is set forth on the Cover Page of this Prospectus.

Dividends

The Company has paid regular quarterly cash dividends of 12½ cents per share since June 15, 1964 and has paid 3% stock dividends, in June, in each of the years 1964 through 1968. At the June 6, 1969 meeting of the Board of Directors, the regular quarterly cash dividend was declared, but no action was taken with respect to the declaration of a stock dividend. In this connection, it was the judgment of the Board of Directors that the Company's Earnings Retained in the Business, amounting to $1,637,000 at March 31, 1969, were not sufficient to permit the declaration of a stock dividend. Reference is made to the Consolidated Statement of Earnings Retained in the Business included in the Consolidated Financial Statements elsewhere in this Prospectus. At the August 20, 1969 meeting of the Board of Directors, the regular quarterly cash dividend was declared.

PRINCIPAL SHAREHOLDERS

The following table sets forth, as of June 9, 1969, certain information concerning the principal holders of the Company's outstanding Common Stock:

Name and Address	Type of Ownership	Shares Owned	
		Number	Percentage
Alfred S. Bloomingdale The Diners' Club, Inc. 10 Columbus Circle New York, New York	Record and Beneficial	276,068[1]	11%
The Continental Insurance Company 80 Maiden Lane New York, New York	Record and Beneficial	835,254[2]	34%
All directors and officers as a group	Record and Beneficial	299,200[3]	12%

[1]Does not include 34,117 shares, in which Mr. Bloomingdale disclaims any beneficial interest, held by Mr. Bloomingdale as custodian for his minor children.

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[2]As of June 9, 1969, Continental owned various issues of the Company's convertible debentures which, if converted in full, would have entitled Continental to an additional 420,829 shares of the Company's Common Stock. Assuming such conversion, Continental would have owned an aggregate of 1,256,083 shares of the Company's Common Stock, equal to approximately 44% of the total which then would have been outstanding. See "Interest of Management and Others in Certain Transactions—The Continental Insurance Company."

[3]Does not include 38,332 shares of the Company's Common Stock owned by various persons related to such directors and officers, as to which such directors and officers disclaim any beneficial ownership. Also, does not include 58,710 shares of the Common Stock of the Company owned by F T Ventures, Inc., in which company William D. Fugazy, a director of the Company, has a 25% beneficial interest (see "Selling Shareholders"), and 107 shares owned by the wife of J. Victor Herd, a director of the Company.

Alfred S. Bloomingdale and The Continental Insurance Company may be deemed to be "parents" of the Company.

MANAGEMENT

Directors

The directors of the Company are:

Jules T. Asch	J. Victor Herd[1, 2, 3]
Alfred S. Bloomingdale[1]	Harold E. Johnson[1, 2]
H. Huber Boscowitz[1]	Anthony F. Kopp
Peter Colefax	E. Herrick Low[3]
George Faunce III[1, 2]	David J. Mahoney[1]
William D. Fugazy	Edwin C. McDonald[1]
Covington Hardee[2]	

[1]Member, Executive Committee.

[2]Messrs. Faunce, Hardee, Herd and Johnson were suggested for election as directors by The Continental Insurance Company in 1967.

[3]Messrs. Herd and Low are directors of The Continental Insurance Company.

Executive Officers

The executive officers of the Company, and the position held by each such person, are:

Name	Position
Alfred S. Bloomingdale	Chairman of the Board and Chief Executive Officer
George Faunce III	President
Anthony F. Kopp	President—Credit Card Division and President of Financial Services, Inc.
Jules T. Asch	Senior Executive Vice President—Finance and Corporate Planning and Chairman of the Finance Committee
G. Robert Myers	Executive Vice President—Credit and Collection
Philip Adelman	Senior Vice President—Legal Department and Secretary
Seymour Flug	Senior Vice President—Finance
Marvin P. Price	Senior Vice President—Sales Administration
John G. Regan	Senior Vice President—Operations

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Name	Position
William Richman	Senior Vice President—Marketing
Gwynn H. Robinson	Senior Vice President—International Division and President of Diners' Club International, Ltd.
Gerald Branco	Vice President—Data Processing
Lynn J. Coons	Vice President—Member Service
Alphonse Del Guercio	Vice President—Personnel Administration
Matthew P. Gallagher, Jr.	Vice President and Treasurer
Reynold J. Gouverneur	Vice President—Advertising
Kenneth E. Griffis	Vice President—Administration (Los Angeles)
John J. O'Toole	Vice President—Security
Richard Rizzo	Vice President—Systems and Programming
Joel L. Saphir	Vice President—Research
Robert A. Maresca	Controller
Alan L. Gordon	Assistant Treasurer

Messrs. Bloomingdale, Asch, Adelman, Price and Richman have each been employed by the Company in various capacities and executive positions for more than five years.

George Faunce III has been a director of the Company since January, 1967 and its President since March, 1969. Prior to his election as President of the Company, Mr. Faunce was, for more than the previous five years, President of Afco Credit Corporation, New York, New York, a wholly owned subsidiary of The Continental Insurance Company engaged in the business of insurance premium financing. Upon his election as President of the Company, Mr. Faunce resigned as President, and was elected Chairman of the Board, of Afco Credit Corporation, and he continues to serve in that position.

Anthony F. Kopp has served as a director of the Company since May, 1967 and as its President-Credit Card Division effective May, 1969. Mr. Kopp is also President of Financial Services, Inc., a wholly owned subsidiary of the Company, and has held that position since June, 1965. He was elected a Vice President of the Company in June, 1965 and has served in various senior executive capacities since May, 1967. Prior to June, 1965, Mr. Kopp had been employed by Transamerica Corporation since 1955; he was appointed manager of its revolving credit department in 1961 and Assistant Vice President in 1964.

G. Robert Myers has been employed by the Company in various executive capacities since May, 1966. From May, 1964 to May, 1966 he was General Credit Manager of The May Co., Los Angeles, California.

Seymour Flug has been employed by the Company in various capacities since July, 1965, except for the period January, 1968 through February, 1969, during which period he was Executive Vice President of Diners/Fugazy Travel, Inc. For two years prior to July, 1965, Mr. Flug was Assistant Controller of Kirkeby-Natus Corp., New York, New York. He has been a certified public accountant since September, 1964.

John G. Regan has served as Senior Vice President—Operations of the Company since March, 1969. During the period June, 1967 to February, 1969 he served as a Vice President of Mercantile Trust Company, St. Louis, Missouri, and for more than five years prior thereto, he was employed by Transamerica Credit Corp., Los Angeles, California, as General Sales Manager.

Gwynn H. Robinson has served as Senior Vice President—International Division of the Company and President of its wholly owned subsidiary, Diners' Club International, Ltd. since January, 1967. Prior thereto he had been employed by the Northrop Corp. since June, 1964 and held the positions of

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Manager of International Marketing (at its Beverly Hills, California office) and Vice President and Manager of European Operations (at its Paris office).

Gerald Branco joined the Company as Vice President—Data Processing in August, 1969. Since April, 1967 he was Manager of Corporate Information System Centers Operations for RCA Corporation in New York, New York, and for six years prior thereto he was Manager of Data Control for the Information Systems Division of RCA Corporation in Cherry Hill, New Jersey.

Lynn J. Coons has served as Vice President—Member Service of the Company since May, 1969. Prior thereto, from December, 1966 he was Executive Vice President of Diversified Credit Hawaii, Inc., a wholly owned subsidiary of the Company, and from January, 1968, he served as Vice President of Financial Services, Inc. From March, 1966 to December, 1966 he was employed by American Certified Check Corp., Westwood, California, as a credit officer and, for more than five years prior thereto, he was a revolving charge manager of Transamerica Credit Corp., Anaheim, California.

Alphonse Del Guercio has been employed by the Company since May, 1965 and was elected Vice President—Personnel Administration in January, 1969. Prior to his employment by the Company, he was Industrial Relations Director for The Lionel Corp., Hillside, New Jersey, where he had been employed since October, 1945.

Matthew P. Gallagher, Jr. has served the Company in various capacities since July, 1965. For four years prior thereto, he was employed by CIT Financial Corporation, New York, New York, as an audit supervisor. He has been a certified public accountant since March, 1958.

Reynold J. Gouverneur joined the Company in January, 1968, and was elected Vice President—Advertising in May, 1968. From February, 1965 to December, 1967 he was employed by Marsteller, Inc., New York, New York, as an account executive and, for more than two years prior thereto, he served as Advertising Manager of Fugazy Travel Bureau, Inc., New York, New York.

Kenneth E. Griffis was elected Vice President—Administration (Los Angeles) in August, 1968, having been employed by the Company at its Los Angeles, California, office since April, 1967. For three years prior thereto he served as Collection Manager of The May Co., Los Angeles, California.

John J. O'Toole has been employed by the Company since January, 1967, and was elected Vice President—Security in April, 1968. For more than five years prior thereto, he was a Special Agent with the Federal Bureau of Investigation, Washington, D. C.

Richard Rizzo joined the Company as Vice President—Systems and Programming in August, 1969. Since March, 1966 he served as Vice President—Data Services of Financial Services, Inc. For more than nine years prior thereto, he was a programmer analyst for IBM Service Bureau Corporation in Philadelphia, Pennsylvania.

Joel L. Saphir has been employed by the Company since July, 1965, and was elected Vice President—Research in December, 1968. Prior to his employment by the Company, Mr. Saphir had been, since July, 1964, a financial analyst with W. R. Grace & Co., Inc., New York, New York.

Robert A. Maresca was elected Controller of the Company in December, 1968, having been employed by the Company since August, 1967. From May, 1964 to July, 1967 Mr. Maresca had been a financial analyst for Martin Marietta Corp., New York, New York. He has been a certified public accountant since April, 1963.

Alan L. Gordon joined the Company in September, 1965 and became Assistant Treasurer in May, 1967. Prior to that date, Mr. Gordon was Controller of Keystone Bolt & Nut Corporation, New York, New York, for several years and, from June, 1965 through August, 1965, Controller of Gramercy Tours, Inc., New York, New York. Mr. Gordon has been a certified public accountant since October, 1961.

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Remuneration

The following table states the aggregate direct remuneration for services in all capacities paid by the Company and its subsidiaries for the fiscal year ended March 31, 1969, to (a) each director, and each of the three highest paid officers, whose aggregate direct remuneration exceeded $30,000, and (b) all directors and officers of the Company as a group:

Name of Individual or Identity of Group	Capacities in Which Remuneration was Received	Remuneration[1]
Alfred S. Bloomingdale	Chairman of the Board, President[2] and Chief Executive Officer	$ 98,442
William D. Fugazy	President[2] and Director, and President of Diners/Fugazy Travel, Inc.	75,000[3,8]
Jules T. Asch	Senior Executive Vice President—Finance and Corporate Planning[4], Chairman of the Finance Committee and Director	56,981
Thomas A. Hays	Vice Chairman of the Board[5]	55,115[6]
Anthony F. Kopp	President—Credit Card Division[7] and Director, and President of Financial Services, Inc.	46,635
All directors and officers as a group, including those named above (consisting of 35 persons)		965,236[8]

1 Direct remuneration only. No amounts were distributable with respect to the fiscal year ended March 31, 1969 under the Company's Executive Incentive Compensation Plan, which had become effective as of April 1, 1966 and which was discontinued by the Board of Directors of the Company as of March 31, 1969.

2 Mr. Fugazy served as President of the Company from April 19, 1968 to February 21, 1969. Mr. Bloomingdale had served as President prior to the date Mr. Fugazy assumed that office and Mr. Bloomingdale again served as President from February 21, 1969 until March 25, 1969, when Mr. Faunce became President.

3 Pursuant to an employment agreement. In addition, under an agreement dated September 27, 1968, the Company paid Mr. Fugazy $60,937 and 9,311 shares of Common Stock. For a discussion of Mr. Fugazy's employment agreement and of the September 27 agreement, see "Interest of Management and Others in Certain Transactions—Fugazy Travel Bureau, Inc."

4 Until December 18, 1968, when Mr. Asch assumed his present position, Mr. Asch served as Executive Vice President—Finance of the Company.

5 Mr. Hays served as Executive Vice President of the Company until April 19, 1968, at which time he was elected Vice Chairman of the Board. He resigned from all positions with the Company as of January 31, 1969.

6 Pursuant to an employment agreement. On December 18, 1968, Mr. Hays entered into an agreement with the Company providing for the termination of his employment as of January 31, 1969 and for his serving the Company as a consultant for one year thereafter. The agreement also provided for the exercise by Mr. Hays of certain options previously granted to him under the Company's Amended Restricted Stock Option Plan. See "Management—Options to Purchase Common Stock of the Company."

7 Mr. Kopp was elected President—Credit Card Division on March 25, 1969. Until May 21, 1969, Mr. Kopp was also Senior Executive Vice President—Operations of the Company, having been elected to that position on December 18, 1968. Prior to December 18, 1968, Mr. Kopp was Senior Vice President of the Company.

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[8] As of March 31, 1969, G. Robert Myers, Executive Vice President—Credit and Collection and Philip Adelman, Senior Vice President—Legal Department and Secretary had employment agreements with the Company. Mr. Myers' agreement expires on March 31, 1970 and provides for compensation at the rate of $50,000 per year. Mr. Adelman's agreement expires on June 30, 1970 and provides for compensation at the rate of $54,000 per year through June 30, 1969 and at the rate of $59,000 per year thereafter. In addition, there are provisions in that agreement for payments by the Company to or on behalf of Mr. Adelman, either in consultative compensation or in death benefits, of various specified amounts to a maximum of $16,250 per year and for a maximum four year period commencing upon his retirement from active service to the Company or upon his death. See "Interest of Management and Others in Certain Transactions—Fugazy Travel Bureau, Inc." for a discussion of the employment agreement between the Company's wholly owned subsidiary, Diners/Fugazy Travel, Inc., and William D. Fugazy.

Options to Purchase Common Stock of the Company

Amended Restricted Stock Option Plan. A Restricted Stock Option Plan covering shares of the Company's Common Stock and intended to meet the requirements of Section 421 of the Internal Revenue Code of 1954 was adopted by the Company in June, 1960 and amended in June, 1962. The Amended Plan was terminated by the Company's Board of Directors on May 15, 1968 except with respect to options then outstanding under it. No options have been granted under that Plan since January 1, 1968.

Under the Amended Plan, the option price in each instance was not less than 95% of the fair market value of the Common Stock on the date of granting the option. The options granted thereunder (except in the event of death) are exercisable no earlier than two years after the granting date and terminate and cease to be exercisable five years after the granting date or on December 31, 1969, whichever is earlier. Unless the stock option committee which administers the Amended Plan shall have otherwise provided, 40% of the options granted to any individual become exercisable two years after the granting date, an additional 30% become exercisable three years after the granting date, and the balance of 30% become exercisable four years after the granting date, so that four years after the granting date all of the options granted to any individual are exercisable. Options are exercisable only while the holder is in the employ of the Company or of a subsidiary, except in the event of death while employed, in which case the option may be exercised in full for a period of eight months after death. Options are not transferable otherwise than by will or the laws of descent and distribution.

With respect to the Amended Plan, the only options outstanding are held by directors and officers and expire on December 31, 1969. The following table states, as to a certain director and officer, and as to all directors and officers as a group (i) the number of shares subject to all unexercised options held as of July 14, 1969, (ii) the average per share option price for such options, and (iii) the aggregate market value of the shares subject to such options as of July 14, 1969:

Name	Number of Shares*	Per Share Purchase Price*	Aggregate Market Value
Anthony F. Kopp.....	983	$18.0824	$22,117.50
All directors and officers as a group.....	7,684	$21.3253	$172,890.00

* The number of shares and per share purchase price have in each case been adjusted for 3% stock dividends paid in 1966, 1967 and 1968.

1968 Qualified Stock Option Plan. In June, 1968 the Company adopted a Qualified Stock Option Plan for officers and key employees of the Company and its subsidiaries (excluding directors who are not

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also officers or key employees of the Company or one of its subsidiaries). The Qualified Plan is intended to meet the requirements of Section 422 of the Internal Revenue Code of 1954.

Under the Qualified Plan options may be granted for the purchase of a maximum of 100,000 shares of Common Stock, which may be authorized but unissued shares or treasury shares. Provision is made for proportionate adjustment of the number of shares and per share price of individual options in the event of stock dividends, stock splits, and other changes in capitalization.

Payment for shares purchased pursuant to the exercise of options granted under the Qualified Plan must be made in cash at the time of purchase. The option price under the Qualified Plan, which in each instance is set by the stock option committee administering the Plan, may not be less than 100% of the fair market value of the shares on the date of grant of the option.

Options granted under the Qualified Plan are (except in the event of death and certain other circumstances) exercisable no earlier than two years after the granting date and no later than five years after the granting date. Unless the Committee shall otherwise provide, 40% of the options granted to any individual become exercisable two years after the granting date, an additional 30% became exercisable three years after the granting date, and the balance of 30% become exercisable four years after the granting date, so that four years after the granting date all of the options granted to any individual are exercisable.

The termination date of the Qualified Plan is June 26, 1973 but its term may be extended by the Board of Directors up to June 26, 1978. The Board of Directors may also terminate the Qualified Plan (except with respect to options then outstanding under it) before its initial or any extended termination date.

Options under the Qualified Plan may be exercisable only while the holder is in the employ of the Company or of a subsidiary, except in the event of death while employed, in which case the option may be exercised in full for a period of one year after death (unless the Committee shall, in the option agreement, have fixed a shorter period).

As of July 14, 1969, options to purchase 75,750 shares of Common Stock under the Qualified Plan were outstanding. The average purchase price of such options is $52.2648 per share, and the range of expiration dates for such options is from June 27, 1973 to March 19, 1974. The aggregate market value of the Common Stock called for by such options as of July 14, 1969, was $1,704,375.

With respect to the Qualified Plan, the following table states as to certain directors and officers, and as to all directors and officers as a group (i) the number of shares subject to all unexercised options held as of July 14, 1969, (ii) the average per share option price for such options, (iii) the expiration dates for such options, and (iv) the aggregate market value of the shares subject to such options as of July 14, 1969:

Name	Number of Shares	Per Share Purchase Price	Aggregate Market Value	Expiration Date or Range of Expiration Dates
William D. Fugazy.....	3,500	$53.75	$ 78,500	June 27, 1973
Jules T. Asch.....	3,500	$53.75	$ 78,500	June 27, 1973
Anthony F. Kopp.....	3,000	$53.75	$ 67,500	June 27, 1973
All directors and officers as a group....	35,500	$53.4683	$798,750	June 27, 1973 to March 19, 1974

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INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS

Fugazy Travel Bureau, Inc.

Acquisition. On October 30, 1967, Fugazy Travel Bureau, Inc. (Delaware), a wholly owned subsidiary of the Company (the name of which has since been changed to Diners/Fugazy Travel, Inc.), acquired substantially all of the assets of Fugazy Travel Bureau, Inc. (the name of which was changed to F T Ventures, Inc.—see "Selling Shareholders") and certain of its subsidiaries in exchange for $3,504,266 (as adjusted), 62,000 shares of Common Stock of the Company (of which 5,000 shares were delivered to A. Mitchell Liftig, a broker who represented the seller corporation in connection with the acquisition, these shares being offered hereby—see "Selling Shareholders") and the assumption of certain contractual obligations of the seller corporation, principally those under and relating to the franchise agreements of the seller corporation. The closing price of the Common Stock of the Company on October 30, 1967 was $36.625 per share.

Of the aforesaid 62,000 shares, 57,000 shares were placed in escrow (subject to release from time to time) as partial security for the Company and Diners/Fugazy Travel, Inc. with respect to the non-collectibility of certain accounts and notes receivable of the seller corporation, certain liabilities and obligations of, and claims against, the seller corporation not assumed by Diners/Fugazy Travel, Inc., and certain other matters. William D. Fugazy, his brother Louis V. Fugazy, and Otto Marx, Jr., who were and are officers, directors and shareholders of the seller corporation, jointly and severally indemnified the Company and Diners/Fugazy Travel, Inc. with respect to the foregoing matters.

On May 8, 1968, upon the adjustment of the cash portion of the acquisition consideration, the seller corporation gave its 6% promissory note due March 15, 1971 in the principal amount of $180,352 to Diners/Fugazy Travel, Inc. and the Messrs. Fugazy and Mr. Marx guaranteed all payments under such note.

Employment Agreements. Effective October 30, 1967, William D. Fugazy was employed by Diners/Fugazy Travel, Inc. under an employment agreement having a term of three years, subject to renewal for two additional years at the option of the subsidiary and for further periods, up to ten years, as may be mutually agreed upon by the parties. Mr. Fugazy's employment agreement provided for a basic salary of $75,000 per year (plus $25,000 per year to cover certain expenses) for the initial three year period and for the optional two year period and for percentage compensation, for a maximum period of fifteen years, at the rate of 10% of the initial franchise fees received by the subsidiary or 8⅓% of the net profits of the subsidiary, whichever is greater, subject to a $125,000 per fiscal year limitation and a $1,250,000 aggregate limitation.

Effective at the same time, Diners/Fugazy Travel, Inc. entered into an employment agreement with Louis V. Fugazy which is the same in all respects as the above described employment agreement with William D. Fugazy, including particularly the provision for percentage compensation, except that the basic salary, in the case of Louis V. Fugazy, was $35,000 per year, and an agreement with Otto Marx, Jr. under which Mr. Marx agreed to serve, at the pleasure of the Board of Directors of the subsidiary, as a consultant for up to fifteen years at a basic salary of $6,000 per year. Mr. Marx's employment agreement also provided for percentage compensation for a maximum period of fifteen years, at a rate of 20% of the initial franchise fees received by the subsidiary or 16⅔% of the net profits of the subsidiary, whichever is greater, subject to a $250,000 per fiscal year limitation and a $2,500,000 aggregate limitation.

Post Closing Matters. From time to time between May 8, 1968 and October 1, 1968 all of the shares held in escrow in connection with the acquisition were released to the seller corporation. These shares, plus

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e shares paid with respect thereto in connection with the Company's 3% stock dividend paid on ne 14, 1968, are among the shares being offered hereby (see "Selling Shareholders").

On April 19, 1968, when William D. Fugazy became President and a director of the Company e resigned as President on February 21, 1969), it was agreed that his employment agreement with ners/Fugazy Travel, Inc. would remain in effect and that, so long as it was in effect, no additional mpensation would be paid to Mr. Fugazy by virtue of his positions with the Company, except that e Company's Executive Incentive Compensation Plan was amended to provide a 1% distribution for e President of the Company. (The Plan was later discontinued--see "Management—Remuneration.")

On June 18, 1968, the Company, the Messrs. Fugazy, Mr. Marx and Mr. Liftig entered into an greement under which, effective April 1, 1968, the maximum aggregate percentage compensation payable the Messrs. Fugazy and Mr. Marx under their aforementioned employment agreements was reduced y 5%, from $5,000,000 to $4,750,000, and there were delivered to Mr. Liftig 2,000 shares of Common tock of the Company in full satisfaction of the obligations to him of the Messrs. Fugazy and Mr. Marx nd of the Company (including certain obligations of the Company to him arising out of unrelated equisition transactions). Those 2,000 shares are among the shares being offered hereby (see "Selling hareholders").

On September 27, 1968, the same parties entered into an agreement providing for the elimination f the percentage compensation provisions from the employment agreements of the Messrs. Fugazy and Mr. Marx and, in connection therewith, for the cancellation of the aforementioned $180,352 promissory ote. Amendment agreements accomplishing such elimination were executed on October 1, 1968, at hich time the note was cancelled. On that date and thereafter, $250,000 and an aggregate of 38,200 hares of Common Stock of the Company were delivered to or on behalf of the Messrs. Fugazy and Mr. Marx under the September 27 agreement, of which $6,250 and 955 shares of Common Stock were elivered to Mr. Liftig on their behalf. These 955 shares are among the shares being offered hereby (see "Selling Shareholders"). The 37,245 shares delivered to the Messrs. Fugazy and Mr. Marx were estricted against any disposition for a period of five years, such restrictions being subject to release to a maximum cumulative extent of 20% per year for the first four of the five years of the restriction period, depending upon sales of franchises by Diners/Fugazy Travel, Inc., and in full at the end of the restriction period; provided, however, that at such time any such shares so restricted may be applied in satisfaction of any claims by the Company and/or Diners/Fugazy Travel, Inc. under the acquisition agreement or pursuant to the indemnities of the Messrs. Fugazy and Mr. Marx given at the time of the acquisition. It is expected that the foregoing restrictions will be released on October 1, 1969 with respect to 20% of such shares, or with respect to an aggregate of 7,448 shares, and these shares are among the shares being offered hereby (see "Selling Shareholders").

Fugazy Continental, Inc. of New York

Fugazy Continental, Inc. of New York, a non-affiliated corporation of which William D. Fugazy is an officer, director and 50% shareholder, operates a limousine hire and automobile leasing business. On February 3, 1969, the Company and Fugazy Continental entered into an agreement, terminable by either party on two months' notice, providing for the offering by Fugazy Continental of long-term automobile leases to Diners Club Cardholders. Under the agreement, and subject to the Company's credit approval with respect to each lessee, the Company will perform all billing and collection services with respect to the rentals provided for in such leases, at a fee of 4% of the gross amount billed each month. The Company will not be liable for uncollected rentals on any lease after two months' notice to Fugazy Continental of a delinquency on such lease.

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The Continental Insurance Company

5⅞% Junior Subordinated Convertible Debentures Due April 1, 1987. On March 31, 1967 the Company entered into a Debenture Purchase Agreement with Continental, under which the Company had the right to sell to Continental, in four separate and equal installments prior to September 30, 1967, an aggregate of $5,000,000 principal amount of Junior Subordinated Convertible Debentures. The Debentures were to bear interest at the rate of 5⅞%, mature April 1, 1987 (subject to required annual prepayments of $100,000, as to each installment, commencing April 1, 1977, and to certain optional prepayments, some with premium) and were convertible into Common Stock of the Company at any time on a basis, as initially established, of $22 face amount of Debentures for each share of such Common Stock (subject to anti-dilution adjustments as hereinafter discussed). A commitment fee of ½% per year, based upon the then outstanding commitment, was to be paid at each closing. Pursuant to the Agreement, the Company issued and sold two such Debentures to Continental, one on March 31, 1967 and the other on May 31, 1967, each in the principal amount of $1,250,000, and each at a price of 100% of such principal amount. The closing price of the Company's Common Stock on the New York Stock Exchange on March 31, 1967 was $22.625 per share; on May 31, 1967, $23.75 per share. On March 28, 1969, Continental converted the entire outstanding $2,500,000 principal amount of these Debentures at the then prevailing conversion price of $21.39; the closing price of the Company's Common Stock on the New York Stock Exchange on that day was $30.25 per share.

6¾% Junior Subordinated Notes Due October 15, 1968. On September 27, 1967 the Company entered into a Note Purchase Agreement with Continental and sold to it, pursuant to such Agreement, the Company's 6¾% Junior Subordinated Notes due October 15, 1968, in the principal amount of $2,500,000, at a price of 99% of such principal amount. On July 1, 1968 the Company sold to Continental in exchange for and in cancellation of the Notes, its 6% Junior Subordinated Convertible Debentures due June 30, 1988 in the principal amount of $2,500,000.

January 30, 1968 Financing Transaction. On January 30, 1968 the Company entered into an Agreement—6% Senior Subordinated Convertible Debentures and an Agreement—6% Junior Subordinated Convertible Debentures with Continental and sold to it, pursuant to such Agreements, the Company's 6% Senior Subordinated Convertible Debentures in the principal amount of $1,250,000, at a price of 100% of such principal amount, and its 6% Junior Subordinated Convertible Debentures in the principal amount of $1,250,000, at a price of 100% of such principal amount. Such Debentures mature February 1, 1988 (subject to required annual prepayments of $100,000 each, commencing February 1, 1978, and to certain optional prepayments, some with premium) and are convertible into Common Stock of the Company at any time on a basis, as currently adjusted, of $46.88 face amount of Debentures for each share of Common Stock (subject to further anti-dilution adjustment as hereinafter discussed).

Also on January 30, 1968 the Company sold to Continental 58,823 shares of its Common Stock at a price of $42.50 per share, or an aggregate of $2,499,977.50. Continental agreed to purchase such shares for the purpose of investment.

Agreement in principle on the January 30, 1968 transaction with Continental was reached on the morning of January 3, 1968. The closing price of the Common Stock of the Company on the New York Stock Exchange on January 2, 1968 was $47.25 per share; on January 30, 1968, $43.125 per share.

6% Junior Subordinated Convertible Debentures Due June 30, 1988. On July 1, 1968 the Company entered into an Agreement—6% Junior Subordinated Convertible Debentures with Continental and sold to it, pursuant to such Agreement, the Company's 6% Junior Subordinated Convertible Debentures in

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the principal amount of $2,500,000, in exchange for and in cancellation of the Company's 6¾% Junior Subordinated Notes due October 15, 1968 then outstanding in the principal amount of $2,500,000. Such Debentures mature June 30, 1988 (subject to required annual prepayments of $200,000 each, commencing July 1, 1978, and to certain optional prepayments, some with premium) and are convertible into Common Stock of the Company at any time prior to maturity on a basis, as currently adjusted, of $48.34 face amount of Debentures for each share of Common Stock (subject to further anti-dilution adjustment as hereinafter discussed). Agreement in principle on the foregoing transaction was reached on May 27, 1968. The closing price of the Common Stock of the Company on the New York Stock Exchange on May 27, 1968 was $47.00 per share; on July 1, 1968, $52.50 per share.

6% Senior Subordinated Convertible Debentures Due October 1, 1988. On September 27, 1968, the Company entered into an Agreement—6% Senior Subordinated Convertible Debentures with Continental and sold to it, pursuant to such Agreement, the Company's 6% Senior Subordinated Convertible Debentures in the principal amount of $5,000,000, at a price of 100% of such principal amount. Such Debentures mature October 1, 1988 (subject to required annual prepayments of $400,000 each, commencing October 1, 1978, and to certain optional prepayments, some with premium) and are convertible into Common Stock of the Company at any time prior to maturity on a basis, as currently adjusted, of $55.16 face amount of Debentures for each share of Common Stock (subject to further anti-dilution adjustment as hereinafter discussed). Agreement in principle on the foregoing transaction was reached on the morning of September 16, 1968. The closing price of the Common Stock of the Company on the New York Stock Exchange on both September 13, 1968 and September 27, 1968 was $54.50 per share.

6¼% Senior Subordinated Convertible Debentures Due January 1, 1989. On December 23, 1968 the Company entered into an Agreement—6¼% Senior Subordinated Convertible Debentures with Continental and sold to it, pursuant to such Agreement, the Company's 6¼% Senior Subordinated Convertible Debentures in the principal amount of $2,500,000, at a price of 100% of such principal amount. Such Debentures mature January 1, 1989 (subject to required annual prepayments of $200,000 each, commencing January 1, 1979, and to certain optional prepayments, some with premium) and are convertible into Common Stock of the Company at any time prior to maturity on a basis, as currently adjusted, of $52.126 face amount of Debentures for each share of Common Stock (subject to further anti-dilution adjustment as hereinafter discussed). Agreement in principle on the foregoing transaction was reached on the morning of November 27, 1968. The closing price of the Common Stock of the Company on the New York Stock Exchange on November 26, 1968 was $51.25 per share; on December 23, 1968, $49.00 per share.

$2,500,000 Financing Transaction. On March 28, 1969 the Company entered into an Agreement—6½% Junior Subordinated Convertible Debentures with Continental and sold to it, pursuant to such Agreement, the Company's 6½% Junior Subordinated Convertible Debentures in the principal amount of $1,250,000, at a price of 100% of such principal amount. Such Debentures mature March 1, 1989 (subject to required annual prepayments of $100,000 each, commencing March 1, 1979, and to certain optional prepayments, some with premium) and are convertible into Common Stock of the Company at any time prior to maturity on a basis, as currently adjusted, of $40.790 face amount of Debentures for each share of Common Stock (subject to further anti-dilution adjustment as hereinafter discussed).

Also on March 28, 1969 the Company sold to Continental 37,879 shares of Common Stock at a price of $33.00 per share, or an aggregate of $1,250,007. Continental agreed to purchase such shares for the purpose of investment.

Agreement in principle on the foregoing $2,500,000 financing transaction was reached on February 26, 1969, and on February 28, 1969 the Company and Continental entered into an agreement providing

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for the Agreement—6½% Junior Subordinated Convertible Debentures and the issuance and delivery of 37,879 shares of Common Stock, and Continental paid the Company an aggregate of $2,500,007 for the Debentures and the shares of Common Stock. The closing price of the Common Stock of the Company on the New York Stock Exchange on February 26, 1969 was $39.25 per share; on March 28, 1969, $30.25 per share. The formula for determining the initial conversion price with respect to such Debentures and the formula for determining the purchase price per share of the Common Stock involved in the foregoing $2,500,000 financing transaction were recommended by an investment banking firm independent of the Company and Continental and the determinations thereof were made with reference to the February 26, 1969 closing price.

$10,000,000 Financing Transaction. On March 24, 1969 the Company entered into a letter agreement with Continental pursuant to which Continental agreed to purchase from the Company, and the Company agreed to sell to Continental (a) $2,500,000 aggregate principal amount of 7% Senior Subordinated Convertible Debentures (which were to be convertible into Common Stock of the Company at any time prior to maturity on a basis, as initially established, of $35.20 face amount of Debentures for each share of Common Stock), (b) $2,500,000 aggregate principal amount of 7½% Junior Subordinated Convertible Debentures (which were to be convertible into Common Stock of the Company at any time prior to maturity on a basis, as initially established, of $33.60 face amount of Debentures for each share of Common Stock), each purchase price with respect to such issues of Debentures being 100% of the principal amount thereof, and (c) 181,819 shares of Common Stock, at a purchase price of $27.50 per share, or an aggregate of $5,000,022.50.

The letter agreement required that Continental convert the entire outstanding $2,500,000 principal amount of the Company's 5⅞% Junior Subordinated Convertible Debentures due April 1, 1987 held by it into shares of Common Stock. Continental so converted on March 28, 1969, receiving 116,877 shares of Common Stock. Continental agreed that it was acquiring such shares for the purpose of investment.

On April 30, 1969, upon the first closing with respect to the foregoing $10,000,000 financing transaction, the Company entered into an Agreement—7% Senior Subordinated Convertible Debentures and an Agreement—7½% Junior Subordinated Convertible Debentures with Continental and sold to it, pursuant to such Agreements, (a) the Company's 7% Senior Subordinated Convertible Debentures due May 1, 1989 in the principal amount of $1,250,000, at a price of 100% of such principal amount, (b) the Company's 7½% Junior Subordinated Convertible Debentures due May 1, 1989 in the principal amount of $1,250,000, at a price of 100% of such principal amount, and (c) 90,910 shares of Common Stock, at an aggregate price of $2,500,025, which Continental agreed to purchase for the purpose of investment. Such Debentures mature May 1, 1989 (subject to required annual prepayments of $100,000 each, commencing May 1, 1979, and also subject, in each case, to certain optional prepayments, some with premium) and are convertible into Common Stock of the Company at any time prior to maturity on a basis, as currently adjusted, of $34.62 face amount of senior Debentures for each share of Common Stock and $33.14 face amount of junior Debentures for each share of Common Stock, each such conversion price being subject to further anti-dilution adjustment as hereinafter discussed.

The second and final closing with respect to the foregoing $10,000,000 financing transaction took place on June 3, 1969. At that time the Company sold to Continental the remaining principal amount of each issue of such Debentures, at a price in each case of 100% of such principal amount, and 90,909 shares of Common Stock, at an aggregate price of $2,499,997.50. Such Debentures mature July 1, 1989 (subject to required annual prepayments of $100,000 each, commencing July 1, 1979, and also subject, in each case,

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to certain optional prepayments, some with premium) and are convertible into Common Stock of the Company at the initial conversion prices previously discussed, each of which is subject to anti-dilution adjustment as hereinafter discussed.

Under the letter agreement, a commitment fee of ½% per year, based upon the then outstanding commitment, was paid to Continental at each of the two aforementioned closings.

The formulas for determining the initial conversion prices with respect to each issue of the Debentures and the purchase price per share of the Common Stock involved in the foregoing $10,000,000 financing transaction were recommended by an investment banking firm independent of the Company and Continental and the determinations thereof were made with reference to a price of $32.00, the average per share closing price of the Common Stock on the New York Stock Exchange for the five trading days prior to March 21, 1969. The interest rates with respect to each issue of such Debentures were also recommended by such investment banking firm.

Shareholder Ratification of the $2,500,000 and $10,000,000 Financing Transactions. On March 24, 1969 the Company agreed with the New York Stock Exchange that it would submit to its shareholders, for ratification at its then forthcoming annual meeting, the $2,500,000 and the $10,000,000 financing transactions, and that, pending action by the shareholders of the Company, all the shares of Common Stock sold directly to Continental in connection with either such transaction and all shares of Common Stock issued upon any conversion of any of the Debentures sold to Continental in connection with either such transaction would be placed in escrow. Such an agreement was required by the Exchange as a condition to the listing of the shares of Common Stock involved in the transactions.

At the respective closings with respect to such transactions, an aggregate of 219,698 shares of Common Stock directly sold to Continental was delivered by Continental to Manufacturers Hanover Trust Company, as escrow agent, and Continental agreed with the Company that it would deliver into escrow any shares of Common Stock issued to it upon any conversion of any of the Debentures sold to it in connection with either such transaction.

On July 18, 1969, at the Company's annual shareholders' meeting, the $2,500,000 financing transaction and the $10,000,000 financing transaction were ratified by the shareholders (excluding votes cast by Continental, which were not tabulated on the proposal), and on July 23, 1969 the aforesaid 219,698 shares of Common Stock were released from escrow and delivered to Continental.

Summary of Certain Terms of Debentures Held by Continental. The respective Agreements relating to the Debentures of the Company currently held by Continental and which have been discussed herein are substantially identical. The following is a summary of certain of the more important terms of those Agreements.

(a) *Subordination.* The indebtedness of the Company evidenced by each outstanding issue of the Debentures is subordinate and junior in right of payment, as provided in the respective Agreements relating thereto, to Superior Indebtedness (as defined in the respective Agreements), whether outstanding at the date of any such Agreement or thereafter incurred by the Company. Superior Indebtedness, in the case of each of the Debentures which has a junior subordinated status, generally includes all indebtedness of the Company for money borrowed except other debt of the same status, and, in the case of each of the Debentures which has a senior subordinated status, generally includes all such indebtedness except other debt of the same status and debt having a junior subordinated status. By reason of such subordination,

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in the event of any insolvency, bankruptcy or similar proceeding involving the Company, or upon any dissolution, liquidation, winding-up, reorganization or similar action of the Company, or in the event any such Debenture is declared due and payable before its stated maturity by reason of a default, the holders of Superior Indebtedness are entitled to be paid in full all principal and interest with respect to Superior Indebtedness before the holders of any subordinated debt are entitled to be paid with respect thereto.

(b) *Conversion Provisions.* The conversion privilege with respect to each outstanding issue of the Debentures is protected against dilution, as provided in the respective Agreements relating thereto, in certain events, including the sale of shares of Common Stock for cash or for a consideration per share less than the then prevailing respective conversion prices, the issuance of shares of Common Stock upon a stock dividend, a subdivision or combination of shares of Common Stock, a recapitalization, a consolidation or merger of the Company, or a sale of substantially all of the assets of the Company. No adjustment in any conversion price is required to be made upon the issuance of shares of Common Stock pursuant to present or future officer and employee options or stock purchase agreements.

(c) *Dividend Limitations.* The respective Agreements provide, in effect, that the Company may not pay or declare any dividend or make any other distribution on account of any class of its stock, or redeem, purchase, or otherwise acquire any shares of its stock (all of the foregoing being defined in the respective Agreements as "Restricted Payments") except out of Consolidated Net Earnings (as defined in the respective Agreements) for the period April 1, 1966 to the end of the last fiscal quarter of the Company preceding the date of any proposed Restricted Payment, less the sum of all dividends and other distributions paid by the Company after March 31, 1966 and the excess of the amount expended, after March 31, 1966, for the acquisition of any shares over the amount received, after March 31, 1966, as proceeds for the sale of any shares. As of March 31, 1969, approximately $1,637,000 was available for the making of Restricted Payments free of the aforementioned restrictions.

Use of Proceeds of the Sales of the Debentures and Common Stock to Continental. The net proceeds of each sale to Continental of Debentures (except for the exchange of the 6% Junior Subordinated Convertible Debentures due June 30, 1988 for the 6¾% Junior Subordinated Notes due October 15, 1968, as to which there were no proceeds) and of Common Stock (except for the 116,877 shares of Common Stock issued upon conversion of the 5⅞% Junior Subordinated Convertible Debentures due April 1, 1987, as to which there were no proceeds) were added to the general funds of the Company to meet current working capital requirements, principally those involved in the carrying of an increased volume of accounts receivable.

Short-Term Financings. From time to time in the ordinary course of its business the Company sells commercial paper, of various maturities and at various interest rates, through dealers, and from time to time from January 9, 1967 through July 14, 1969, Continental and its affiliates purchased various principal amounts of various issues of such commercial paper. The highest aggregate principal amount of such commercial paper owned by Continental and its affiliates at any one time during that period was $8,340,000 (week of July 8, 1968), equal to approximately 45% of the aggregate principal amount of such commercial paper which the Company had outstanding at that time. As of July 14, 1969, the Company had outstanding $15,174,000 aggregate principal amount of various issues of such commercial paper, of which Continental and its affiliates owned $1,000,000. The interest rates of the Company's commercial paper outstanding from time to time during the period from January 9, 1967 through July 14, 1969 ranged between 4⅜% per year and 8⅞% per year.

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Anthony F. Kopp

Loan. As of July 14, 1969, Anthony F. Kopp was indebted to Financial Services, Inc., a wholly owned subsidiary of the Company of which Mr. Kopp is President, in the amount of $80,000, such indebtedness having arisen as the result of a series of loans made to Mr. Kopp to assist him in the financing of a purchase of land in the New York metropolitan area and the construction of a home thereon. Mr. Kopp resided in the Philadelphia metropolitan area, where Financial Services, Inc. is headquartered, until, upon his election as Senior Executive Vice President—Operations of the Company on December 18, 1968 (Mr. Kopp was elected President—Credit Card Division of the Company on March 25, 1969), his various new corporate duties required him to move into the New York metropolitan area.

The loans to Mr. Kopp bear interest at 6% per year (such interest being payable annually) and the principal thereof is repayable in ten equal annual instalments commencing January 2, 1973. The loans are to be secured by a mortgage, junior to any first mortgage securing any bank loan obtained by Mr. Kopp, on Mr. Kopp's home.

Inter-Service Club Card, Inc. The Company, Mr. Kopp and Military Purchase System, Inc., a non-affiliated corporation of which Mr. Kopp is a director, entered into a letter agreement, as of April 1, 1969, with respect to the financing and operation of Inter-Service Club Card, Inc., a corporation established by Military Purchase System, Inc. for the purpose of operating a world-wide credit card charge and billing program for United States military clubs. On April 3, 1969, Inter-Service and Financial Services, Inc. entered into an agreement under which Financial Services, Inc. would provide servicing and processing for the proposed program, at cost, and would be committed to provide up to $8,000,000 of the financing requirements in connection with the accounts receivable generated by the program. The three-party letter agreement provided that the Company and Military Purchase System, Inc. would each purchase 50% of the common stock of Inter-Service, at its par value, being, in each case, $45,000 and would each make a $50,000 loan to Inter-Service, and that Mr. Kopp would purchase all of an issue of preferred stock of Inter-Service, at its par value, being $10,000. Such preferred stock would be convertible into common stock under certain circumstances. Also, Mr. Kopp would serve on the board of directors of, and as a non-compensated consultant to, Inter-Service.

PENDING LEGAL PROCEEDINGS

On May 6, 1969 a lawsuit was brought in the Superior Court of the State of California for the County of Los Angeles against the Company and its subsidiaries, DQM Corporation and Diners/Fugazy Travel, Inc., together with American Airlines, Inc., its subsidiary, Sky Chefs, Inc., and certain other defendants, arising out of the subleasing by DQM of hotel and certain restaurant and other facilities on the former passenger steamship Queen Mary to Sky Chefs. A similar action was commenced against the same defendants in the United States District Court for the Central District of California on May 7, 1969. The plaintiff in the lawsuits, Wrather Corporation, asserts that except for the wrongful acts of the defendants, including American Airlines and Sky Chefs, the sublease of such facilities would have been made to Wrather Corporation. The complaints allege, among other things, that the defendants, in violation of the Sherman and Clayton Anti-trust Acts, and otherwise wrongfully, "persuaded, induced and caused" DQM to terminate discussions with plaintiff with respect to the sublease and to enter into such sublease with Sky Chefs. The damages claimed are three times plaintiff's alleged loss of profits, or an aggregate of $81,675,000. The management of the Company believes that there is no merit to these lawsuits and that no material liability of the Company or its subsidiaries should result therefrom.

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Similarly, counsel representing the Company and its subsidiaries in the litigations has expressed its opinion that the Company and its subsidiaries have good defenses to the claims made against them and that no material liability on the part of the Company or its subsidiaries should result.

In March, 1963 a lawsuit was commenced in the Supreme Court of the State of New York, New York County, against the Company's subsidiary, Diners' Financial Corporation, and others, pertaining to a transaction of this subsidiary prior to its acquisition by the Company. Plaintiff, Gelco Buildings and Burjay Construction Corp., a joint venture prime construction contractor, sought damages against all of the defendants in the amount of $1,504,000, on the basis of an alleged conspiracy between Simpson Factors Corp. (the predecessor of Diners' Financial Corporation) and Raymar Contracting Corp. to defraud plaintiff into awarding a sub-contract to Raymar and to divert to Simpson Factors payments made by plaintiff to Raymar. In June, 1969 judgment was entered in favor of plaintiff in the amount of $1,186,946. A notice of appeal from the judgment has been filed, and, in the opinion of special counsel representing the Company's subsidiary, there are good and meritorious bases for the appeal.

On May 28, 1969, Rueben D. Talasek and corporations controlled by him instituted suit against the Company, its subsidiary, Diners/Fugazy Travel, Inc. and others, in the United States District Court for the Western District of Texas, Waco Division. Plaintiffs, who had agreed to purchase 17 Diners/Fugazy retail travel agency franchises, primarily in the State of Texas, and who had opened offices in 5 of the 17 franchise areas (having paid for 4 such franchises and having delivered notes with respect to the purchase of 12 others), allege principally that the sales of such franchises constituted sales of securities and were made in violation of federal and Texas securities laws. The relief sought includes $190,000 in damages and $380,000 in exemplary damages.

The Company and its subsidiaries are involved in routine litigation arising out of the ordinary course of business. The Company believes that any judgments against it in such litigation which are not covered by insurance will not be material.

SELLING SHAREHOLDERS

The following table lists the Selling Shareholders, the number of shares presently owned by each of them, the number of shares being offered by each of them, and the number of shares it is expected will be owned by each of them upon completion of the offering made hereby.

Name	Shares Presently Owned	Shares Being Offered	Shares To Be Owned
F T Ventures, Inc.	58,710	58,710	—
Otto Marx, Jr.	18,623	3,724	14,899
A. Mitchell Liftig	10,955	10,955	—
William D. Fugazy	9,311	1,862	7,449
Louis V. Fugazy	9,311	1,862	7,449
Jack D. Moses, Jr.	1,017	1,017	—
Jack F. Adler, Jr.	642	642	—
Madeline Greenwald	642	642	—
Edward Sickles	642	642	—
Richard Newburger	508	508	—
Francis J. Borowsky	375	375	—
Jack Bronstien	375	375	—

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Name	Shares Presently Owned	Shares Being Offered	Shares To Be Owned
Merril Harris	375	375	—
Jolen, Inc.	375	375	—
Lucian Katzenberg	375	375	—
Solomon Mintz	375	375	—
Edward Shifren	375	375	—
Leah Shifren and Arthur Shifren, tenants by the entireties	375	375	—
Lillian Shifren	375	375	—
Lydia M. Simon	164	164	—
Mahlon B. Simon	164	164	—
Frank L. Newburger	133	133	—
Mahlon B. Simon and Lydia M. Simon, tenants in common	47	47	—
Totals	114,244	84,447	29,797

For information with respect to the circumstances under which F T Ventures, Inc., Otto Marx, Jr. and the Messrs. Fugazy acquired the shares being offered by each of them hereby, for information with respect to the circumstances under which A. Mitchell Liftig acquired 7,955 of the shares being offered by him hereby, and for information with respect to certain restrictions on sale of the shares being offered by Mr. Marx and the Messrs. Fugazy (which restrictions are expected to be terminated on October 1, 1969), see "Business of the Company—Travel Division—Diners/Fugazy Travel, Inc." and "Interest of Management and Others in Certain Transactions—Fugazy Travel Bureau, Inc."

For information with respect to the circumstances under which A. Mitchell Liftig acquired the balance (3,000 shares) of the shares being offered by him hereby, see "Business of the Company—Travel Division —Club Internationale Management Corp."

All the Selling Shareholders other than F T Ventures, Inc., Mr. Marx, the Messrs. Fugazy and Mr. Liftig were stockholders of Travelco, Inc., all of the capital stock of which was acquired by the Company in October, 1968. As partial consideration for such capital stock, the Company delivered from its treasury an aggregate of 6,417 shares of its Common Stock and those shares are among the shares being offered hereby by the former Travelco stockholders. To secure certain indemnities given in connection with that acquisition, the Company is holding in escrow, in its treasury, 917 shares of its Common Stock, and under the acquisition agreement the escrow arrangement will be terminated after October 24, 1969. The Company is currently conducting an investigation to determine whether it may have a claim under the acquisition agreement and, depending upon the results of such investigation, it is expected that all or some of the 917 shares will be delivered from escrow by the Company to the former Travelco stockholders, pro rata, on October 25, 1969. The shareholdings of those persons, as shown in the foregoing table, include pro rata portions of such 917 shares (except in the case of Mahlon B. and Lydia M. Simon, who divided their tenancy in common with respect to the pro rata portion of the initial installment but who may be receiving 47 shares, as tenants in common, as their pro rata portion of the 917 shares).

As indicated on the Cover Page of this Prospectus, the Selling Shareholders intend to sell all or part of such shares from time to time at private sale or sales at negotiated prices or on the New York Stock Exchange (regular way or by special offering or otherwise) at prices prevailing at the time or times of sale.

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LEGAL OPINION

Legal matters in connection with the sale of the shares of Common Stock offered hereby are being passed upon for the Company by Messrs. Botein, Hays, Sklar & Herzberg, New York, New York.

EXPERTS

The consolidated financial statements and supporting schedules and related notes included herein and in the Registration Statement and the Consolidated Statement of Net Earnings have been examined by Messrs. Touche, Ross, Bailey & Smart, independent certified public accountants, as set forth in their report and have been so included in reliance upon such report, which appears elsewhere in this Prospectus, and upon the authority of such firm as experts in auditing and accounting.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of
The Diners' Club, Inc.

We have examined the accompanying consolidated balance sheet of The Diners' Club, Inc. and consolidated subsidiaries as of March 31, 1969 and the related consolidated statements of net earnings for the five years then ended, earnings retained in the business and additional paid-in capital for the three years then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As explained in Note 3, the Company has invested $1,645,000 in Reservations/World, a project for the development of an automated reservation system, the recovery of which is dependent upon the sale of the system. The Company is presently negotiating such a sale. While we have no reason to believe that the Company will not be successful in the recovery of its investment, we are not in a position to determine whether a sale will occur or the amount to be realized.

In our opinion, subject to the recovery of the investment in Reservations/World discussed in the preceding paragraph and subject to the outcome of the litigations referred to in Note 11, the consolidated financial statements referred to above present fairly the consolidated financial position of The Diners' Club, Inc. and consolidated subsidiaries at March 31, 1969, and the consolidated results of their operations for the five years then ended, in conformity with generally accepted accounting principles applied on a consistent basis, as restated (see Note 1).

TOUCHE, ROSS, BAILEY & SMART
Certified Public Accountants

New York, New York
June 6, 1969 (except as to
Notes 11 and 13, the date
of which is July 18, 1969)

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THE DINERS' CLUB, INC. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

March 31, 1969

ASSETS

Current Assets:	
Cash	$ 14,071,000
Notes and accounts receivable (Note 2)	149,355,000
Other accounts receivable	8,759,000
Prepaid expenses	2,294,000
Total Current Assets	$174,479,000
Investments and Advances—at cost (Note 3)	4,496,000
Equipment and Leasehold Improvements—at cost, less accumulated depreciation and amortization—$3,130,000 (Note 4)	3,932,000
Goodwill, Mailing Lists, Plates and Other Intangibles—at cost (Note 5)	14,483,000
Deferred Charges and Other Assets (Note 6)	5,060,000
	$202,450,000

LIABILITIES AND SHAREHOLDERS' INVESTMENT

Current Liabilities:	
Notes payable—banks	$ 72,999,000
Notes payable—commercial paper	10,830,000
Accounts payable	42,732,000
Accrued expenses	8,511,000
Current portion—long-term debt	850,000
Income taxes payable (Note 7)	1,134,000
Total Current Liabilities	$137,056,000
Long-Term Debt (Notes 8 and 13)	$ 27,673,000
Minority Interests (Note 9)	$ 680,000
Shareholders' Investment (Notes 8, 10 and 13):	
Common stock, par value $1.00 per share Authorized—5,000,000 shares (Note 13) Issued and outstanding—2,242,820 shares	$ 2,243,000
Additional paid-in capital	33,161,000
Earnings retained in the business	1,637,000
Total Shareholders' Investment	$ 37,041,000
Commitments and Contingent Liabilities (Notes 6, 11 and 13)	
	$202,450,000

See Notes to Consolidated Financial Statements.

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THE DINERS' CLUB, INC. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF ADDITIONAL PAID-IN CAPITAL

	Year Ended March 31,		
	1967	1968	1969
Balance at the beginning of the period as previously reported	$17,746,000	$18,979,000	$24,912,000
Adjustment to reflect poolings, net of expenses, and inclusion of foreign subsidiaries (Note 1)	321,000	321,000	321,000
Balance at the beginning of the period restated	$18,067,000	$19,300,000	$25,233,000
Add:			
Excess of fair market value over par value of:			
49,695, 51,209 and 57,356 shares of common stock issued as stock dividends on June 15, 1966, June 15, 1967 and June 14, 1968, respectively	1,205,000	1,235,000	2,639,000
62,000 shares of common stock issued in connection with the acquisition of Fugazy Travel Bureau, Inc. as of October 30, 1967	—	2,209,000	—
58,823 shares of common stock purchased by The Continental Insurance Company, Inc. on January 30, 1968	—	2,441,000	—
2,000 shares of common stock issued in settlement of certain obligations to a broker as of July 1, 1968	—	—	103,000
1,400 shares of common stock issued in connection with the acquisition of Fohl Enterprises, Inc. on January 22, 1969	—	—	63,000
37,879 shares of common stock purchased by The Continental Insurance Company, Inc. on February 28, 1969	—	—	1,212,000
116,877 shares of common stock issued upon conversion of 5⅞% Junior Subordinated Convertible Debenture on March 28, 1969	—	—	2,383,000
Excess of fair market value over cost of 38,200 shares of treasury stock issued in partial settlement of certain obligations as of September 30, 1968 (Note 6)	—	—	1,433,000
Excess of option price over par value of 1,640, 2,759, and 4,916 shares of common stock, respectively, sold under the amended restricted stock option plan (Note 10)	28,000	48,000	95,000
	$19,300,000	$25,233,000	$33,161,000

See Notes to Consolidated Financial Statements.

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THE DINERS' CLUB, INC. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF EARNINGS RETAINED IN THE BUSINESS

	Year Ended March 31,		
	1967	1968	1969
Balance at the beginning of the period as previously reported	$3,525,000	$3,984,000	$4,777,000
Adjustment to reflect poolings, net of expenses, and inclusion of foreign subsidiaries (Note 1)	320,000	(351,000)	(920,000)
Balance at the beginning of the period restated	$3,845,000	$3,633,000	$3,857,000
Add:			
Net earnings for the period	1,927,000	2,445,000	1,481,000
	$5,772,000	$6,078,000	$5,338,000
Deduct:			
Cash dividends—$.50 per share	$ 862,000	$ 911,000	$1,005,000
Stock dividends—3%—49,695, 51,209 and 57,356 (including cash paid in lieu of fractional shares—$22,000 in 1967 and $23,000 in 1968) shares, respectively	1,277,000	1,310,000	2,696,000
	$2,139,000	$2,221,000	$3,701,000
	$3,633,000	$3,857,000	$1,637,000

See Notes to Consolidated Financial Statements.

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THE DINERS' CLUB, INC. AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Principles of Consolidation:**

The Consolidated Financial Statements include the accounts of all significant subsidiaries. Certain minor foreign subsidiaries which in the aggregate are not significant have not been consolidated. Foreign subsidiaries are included at standard rates of exchange. The figures for the four years ended March 31, 1968 have been retroactively adjusted to include the consolidation of foreign subsidiaries. The Company adjusts its investment in consolidated subsidiaries to reflect the change in its equity.

All material intercompany transactions have been eliminated.

During the year the Company acquired four companies for an aggregate of 72,532 shares of common stock, of which 19,004 were treasury shares. These acquisitions were treated for accounting purposes as poolings of interests.

The earnings of purchased companies are included from the respective dates of acquisition (Note 5).

2. **Notes and Accounts Receivable:**

	March 31, 1969
Credit Card Division:	
Regular charge	$113,485,000
Revolving and extended payment	32,982,000
	$146,467,000
Travel Division	4,770,000
Collection Agencies Division	749,000
Foreign Subsidiaries	4,173,000
	$156,159,000
Less allowance for doubtful accounts	6,804,000
	$149,355,000

3. **Investments and Advances:**

	March 31, 1969
Investment in Reservations/World	$1,645,000
Diners' Club foreign franchisees:	
Investments	2,256,000
Advances	30,000
Other	565,000
	$4,496,000

During the two years ended March 31, 1969, the Company invested in Reservations/World, a project for the development of an automated reservation system. The first stage of the system has essentially reached completion and is operational. Full completion of all stages of this project would require a substantial additional investment and the Company has decided not to make such additional investment. The Company is currently negotiating to sell the system and in the opinion of management, upon such sale, the unrecovered investment, if any, will not be material. For additional information, see "Business of the Company—Certain Other Operations" in this Prospectus.

The Company has minority interests in the capital stock of a significant number of Diners' Club foreign franchisees. At March 31, 1969, the Company's equity in net assets of these franchises and its other investments amounts to approximately $850,000.

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THE DINERS' CLUB, INC. AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. Equipment And Leasehold Improvements:

The cost of equipment and leasehold improvements is depreciated or amortized over the estimated useful lives of the assets. The straight-line method is used.

The annual rates used are as follows:

Office equipment, furniture and fixtures	10–20%
Leasehold improvements	*
Automobiles	25%

* Leasehold improvements are written off over the remaining term of the lease or the life of the asset, whichever is shorter.

Expenditures for maintenance and repairs are deducted from income. Expenditures for major items are capitalized and written off by depreciation charges. Costs of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts in the year of sale or retirement; the gain or loss on disposal of assets is reflected in the statement of earnings.

5. Goodwill, Mailing Lists, Plates And Other Intangibles:

Under various expansion programs in prior years, the Company acquired goodwill, mailing lists, plates and other intangibles amounting to $4,363,000.

The restatement of the Consolidated Financial Statements to reflect the inclusion of foreign subsidiaries (Note 1) has resulted in additional goodwill of $1,863,000.

In 1968 the Company acquired a group of collection agencies and a travel business. The purchase prices of these acquisitions, aggregating $11,555,000, exceeded the underlying net asset value by $6,159,000. During the current year, the Company continued its planned acquisitions in the collection agencies and travel businesses. The purchase prices of these acquisitions, aggregating $3,925,000, exceeded the underlying net asset value by $2,277,000.

No amortization of the mailing lists, plates, goodwill and other intangibles is provided (because there is no anticipated dimunition of value) except for approximately $2,400,000, applicable to the travel business, which is being amortized over a period not exceeding twenty years.

6. Deferred Charges And Other Assets:

The Company has entered into a twenty-five year lease, commencing July, 1970, with minimum annual rentals of $300,000 per year during the first seventeen years and $500,000 per year thereafter with the City of Long Beach, California to manage the tourist center to be created with the conversion of the former R.M.S. Queen Mary. The Company has incurred costs of $1,318,000, of which $1,258,000 was expended during the current fiscal period, relating to the conversion of the Queen Mary. The total cost of the project is anticipated to be $7,800,000. The Company anticipates amortizing such costs over a period not to exceed the life of the lease, commencing with the date operations begin.

The Company has expanded existing automated operations and automated certain additional operations in order to utilize the capacities of new computers. Total costs of approximately $475,000, of which $75,000 was incurred in the current fiscal year, have been deferred. The Company is amortizing these costs over a three-year period.

The Company has settled all contingent compensation due to the former shareholders of a business acquired in the preceding year by issuing 38,200 shares of treasury stock with an approximate market value of $1,770,000 and a payment of $430,000. These amounts are being amortized in accordance with a schedule based upon a percentage of travel agency franchise sales. In no event will this amortization be less than the equivalent of straight-line amortization over 15 years.

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THE DINERS' CLUB, INC. AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Income Taxes:

The Company has certain differences between income reported in its financial statements and taxable income. 'larch 31, 1968 and 1969 substantially all of the liability for income taxes was deferred.

Federal income tax assessments for the fiscal years ended March 31, 1962 through March 31, 1964 in the amount 104,000 including interest, and California franchise tax assessments for the fiscal years ended March 31, 1959 gh March 31, 1966 in the amount $157,000 including interest, after applicable reduction for federal income , have been paid by the Company for which no provision has been made. The Company has filed claims for ds of such taxes and in the opinion of counsel, the Company has good and meritorious bases for such claims.

Investment credits utilized for the five years ended March 31, 1969 are not material.

Long-Term Debt:

Long-term debt is as follows:

	March 31, 1969
5.125% Senior Note due in annual installments of $1,000,000 from October 1, 1971....	$10,000,000
5.25% Promissory Notes due in annual installments of $500,000 from April 1, 1968 (Note 13)	2,000,000
6% Senior Subordinated Convertible Debentures due in annual installments of $400,000 from October 1, 1978—convertible into common stock at $55.16 per share	5,000,000
6% Senior Subordinated Convertible Debentures due in annual installments of $100,000 from February 1, 1978—convertible into common stock at $46.88 per share	1,250,000
6% Junior Subordinated Convertible Debentures due in annual installments of $100,000 from February 1, 1978—convertible into common stock at $46.88 per share	1,250,000
6.50% Junior Subordinated Convertible Debentures due in annual installments of $100,000 from March 1, 1979—convertible into common stock at $40.79 per share..	1,250,000
6% Senior Subordinated Convertible Debentures due in annual installments of $160,000 from April 1, 1978—convertible into common stock at $46.88 per share...	2,000,000
6.25% Senior Subordinated Convertible Debentures due in annual installments of $200,000 from January 1, 1979—convertible into common stock at $52.13 per share	2,500,000
6% Junior Subordinated Convertible Debentures due in annual installments of $200,000 from July 1, 1978—convertible into common stock at $48.34 per share....	2,500,000
Other Notes Payable.....	773,000
Total	$28,523,000
Current Portion	850,000
Long-Term Debt	$27,673,000

The terms of the note and debenture agreements include, among other provisions, limitations on the payment sh dividends and purchases of the Company's common stock. At March 31, 1969, after consideration of the cing transactions detailed in Note 13, all earnings retained in the business were free of such limitations. The rsion prices reflected above are after adjustment for financing transactions after March 31, 1969 as detailed ote 13.

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THE DINERS' CLUB, INC. AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following is a summary of anticipated future payments of long-term debt at March 31, 1969:

Year ending March 31:	
1970 (Note 13)	$ 2,350,000
1971	335,000
1972	1,029,000
1973	1,024,000
1974 and after	23,785,000
	$28,523,000

9. Minority Interests:

Minority interests in foreign majority-owned consolidated subsidiary companies are as follows:

	March 31, 1969
Common stock	$520,000
Additional paid-in capital	1,000
Earnings retained in the business	159,000
	$680,000

10. Stock Options:

For details regarding stock option plans see "Management-Options to Purchase Common Stock of the Company" in this Prospectus. Proceeds from the exercise of options are credited to common stock to the extent of par value and the balance is credited to additional paid-in capital. No charges or credits are made to income with respect to options granted or exercised.

Additional information relative to these plans is summarized below:

Options outstanding at March 31, 1969, of which 6,701 shares are exercisable:

Year of Grant March 31,	No. of Shares	Option Prices		Market Price at Date of Grant	
		Per Share	Total	Per Share	Total
1966	983	$18.08	$ 18,000	$18.08	$ 18,000
1967	6,701	19.91–25.05	146,000	19.91–25.05	146,000
1969	82,000	31.00–55.00	4,227,000	31.00–55.00	4,227,000
	89,684		$4,391,000		$4,391,000

Options that became exercisable:

Year Ended March 31,				Market Price on Date First Exercisable	
				Per Share	Total
1967	1,640	$17.74	$ 29,000	$16.25	$ 27,000
1968	2,759	18.38–18.62	51,000	26.00-27.75	74,000
1969	11,617	17.84–25.05	246,000	46.63-56.75	564,000
	16,016		$ 326,000		$665,000

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THE DINERS' CLUB, INC. AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Options exercised:

Year Ended March 31,	No. of Shares	Option Prices		Market Price on Date Exercised	
		Per Share	Total	Per Share	Total
1967	1,640	$17.74	$ 29,000	$24.38	$ 40,000
1968	2,759	18.38-18.62	51,000	37.75-38.00	105,000
1969	4,916	17.84-25.05	100,000	48.13-56.25	257,000
	9,315		$180,000		$402,000

During the year ended March 31, 1968, 17,250 options were cancelled. As at March 31, 1969 there were 18,000 shares available for future grants.

11. Commitments and Contingent Liabilities:

The Company's subsidiary, DQM Corporation, is the master lessee from the City of Long Beach, California, of certain portions of the former passenger steamship Queen Mary, now permanently berthed in Long Beach, such portions to be used for the operation of hotel, convention and other commercial facilities. Two lawsuits are pending against the Company, DQM Corporation, the Company's subsidiary, Diners/Fugazy Travel, Inc., and certain other defendants, arising out of the subleasing by DQM of hotel and certain restaurant facilities on the ship to Sky Chefs, Inc., a subsidiary of American Airlines, Inc. The plaintiff in the lawsuits, Wrather Corporation, asserts that except for the wrongful acts of the defendants, including American Airlines, Inc. and Sky Chefs, Inc., the sublease of such facilities would have been made to Wrather Corporation. The complaints allege among other things that the defendants, in violation of the Sherman and Clayton Anti-trust Acts, and otherwise wrongfully, "persuaded, induced and caused" the Company and DQM to terminate discussions with Wrather Corporation with respect to the sublease and to enter into such sublease with Sky Chefs. The damages claimed are three times Wrather Corporation's alleged loss of profits, or an aggregte of $81,675,000. The management of the Company believes that there is no merit to these lawsuits and that no material liability of the Company or its subsidiaries should result therefrc n. Similarly, counsel representing the Company and its subsidiaries in the litigations has expressed its opinion tnat the Company and its subsidiaries have good defenses to the claims made against them and that no material liability on the part of the Company or its subsidiaries should result.

In March, 1963 a lawsuit was commenced against Diners' Financial Corporation and others pertaining to a transaction of this subsidiary prior to its acquisition by the Company. In June, 1969 judgment was entered in favor of the plaintiff in the amount of $1,187,000. A notice of appeal from the judgment has been filed, and, in the opinion of special counsel representing the Company's subsidiary, there are good and meritorious bases for the appeal. Accordingly no provision has been made for this adverse judgment.

For additional information, see "Pending Legal Proceedings" in this Prospectus.

The Company is guarantor for credit facilities extended to its consolidated foreign subsidiaries of approximately $650,000. The utilized facilities have all been included in the consolidated financial statements. In addition, the Company is guarantor for credit facilities extended to a minority-owned subsidiary of approximately $500,000.

The Company may be required to pay additional consideration relative to its acquisition of collection agencies. This additional consideration, not exceeding $626,300, is dependent upon future earnings.

The Company may be required to issue additional shares of its common stock as additional consideration relative to the acquisition of certain subsidiaries. The number of additional shares, not exceeding 40,917 shares, is dependent upon future events.

The Company is lessee under 215 leases expiring from 1969 to 1984 with annual rental of approximately $2,250,000, exclusive of the lease referred to in Note 6.

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THE DINERS' CLUB, INC. AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

12. Supplementary Profit And Loss Information:

	March 31, 1967	March 31, 1968	March 31, 1969
Maintenance and repairs	$ 175,000	$ 185,000	$ 255,000
Depreciation and amortization of equipment and leasehold improvements	$ 415,000	$ 537,000	$ 800,000
Amortization of goodwill	$ —	$ 10,000	$ 120,000
Taxes other than income taxes:			
Payroll	$ 397,000	$ 580,000	$ 925,000
Other taxes	82,000	100,000	150,000
	$ 479,000	$ 680,000	$1,075,000
Rent	$1,181,000	$1,415,000	$2,320,000
Management fees	$ —	$ —	$ —

All amounts are charged to operating expenses.

13. Post Balance Sheet Events:

Since March 31, 1969 the Company has sold to The Continental Insurance Company the following:

7% Senior Subordinated Convertible Debentures due in annual installments of $100,000 from May 1, 1979—convertible into common stock at $34.62	$ 1,250,000
7% Senior Subordinated Convertible Debentures due in annual installments of $100,000 from May 1, 1979—convertible into common stock at $35.20	1,250,000
7.50% Junior Subordinated Convertible Debentures due in annual installments of $100,000 from May 1, 1979—convertible into common stock at $33.14	1,250,000
7.50% Junior Subordinated Convertible Debentures due in annual installments of $100,000 from May 1, 1979—convertible into common stock at $33.60	1,250,000
	$ 5,000,000
181,819 shares of common stock at $27.50 per share	5,000,000
	$10,000,000

The sales of the aforementioned debentures and shares of common stock, as well as the sale of $1,250,000 principal amount of 6.50% Junior Subordinated Convertible Debentures and 37,879 shares of common stock, were ratified by shareholders on July 18, 1969.

In connection with certain amendments to its long-term debt agreements, the Company prepaid, without penalty, the 5.25% Promissory Notes, in April, 1969 (Note 8).

The Company, a director of the Company and Military Purchase System, Inc., a non-affiliated corporation, entered into an agreement, as of April 1, 1969 with respect to the financing and operation of inter-Service Club Card, Inc., for the purpose of operating a world-wide credit card charge and billing program for United States armed forces military clubs. The Company will provide servicing and processing for the proposed program, at cost, and would be committed to provide up to $8,000,000 of the financing requirements in connection with the accounts receivable generated by the program.

On July 18, 1969 the shareholders approved an amendment to the Certificate of Incorporation whereby the authorized $1 par value common stock was increased from 3,500,000 shares to 5,000,000 shares.

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THE DINERS' CLUB, INC.

84,447 Shares

Common Stock

($1 Par Value)

PROSPECTUS

, 1969

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 22. Marketing Arrangements.

None.

Item 23. Other Expenses of Issuance and Distribution.

The estimated expenses in connection with the sale and distribution of the shares of Common Stock being registered hereby, of which one-half is payable by the Company and one-half by F T Ventures, Inc., one of the Selling Shareholders, are as follows:

Registration fee	$ 355*
Printing	14,000
Legal fees	25,000
Accounting fees and expenses	15,000
Miscellaneous	2,000
Total	$56,355

* Actual Amount

Item 24. Relationship with Registrant of Experts Named in Registration Statement.

None.

Item 25. Sales to Special Parties.

See Item 26.

Item 26. Recent Sales of Unregistered Securities.

A. During the past three years certain officers of the Company (and a key employee of a subsidiary) exercised options previously granted to them under the Company's Amended Restricted Stock Option Plan, described under the heading "Management—Options to Purchase Common Stock of the Company" in the Prospectus, and purchased an aggregate of 9,315 shares of Common Stock, for an aggregate purchase price of $179,886.

B. From time to time between March 31, 1967 and June 30, 1969 the Company sold various issues of its Debentures, in the aggregate principal amount of $21,250,000, to The Continental Insurance Company. During the same period, the Company sold for cash to Continental an aggregate of 278,521 shares of Common Stock and issued to Continental, in connection with the conversion of an issue of the aforesaid Debentures, an aggregate of 116,877 shares of Common Stock. For a description of these transactions, reference is made to the heading "Interest of Management and Others in Certain Transactions—The Continental Insurance Company" in the Prospectus.

C. On October 30, 1967, in connection with the acquisition of the assets and business of Fugazy Travel Bureau, Inc., the Company issued and delivered 62,000 shares of Common Stock (of which 5,000 shares were delivered to A. Mitchell Liftig, a broker who represented the seller corporation), impartial consideration therefor. On October 1, 1968, the Company delivered from its treasury an aggregate of 37,245 shares to three persons who had entered into employment agreements with a subsidiary of the Company in connection with such acquisition, in order to eliminate the percentage compensation provisions of such employment agreements. On July 6, 1968 the Company issued 2,000 shares of Common Stock to Mr. Liftig, in connection with his representation of Fugazy Travel Bureau, Inc. and in connection with his representation of the Company relative to certain other acquisitions, and, on January 6, 1969, the Company delivered to Mr. Liftig from its treasury 955 shares of Common Stock, for his services in connection with the amendments to the employment agreements referred to above. For a further discussion of these transactions, reference is made to the heading "Interest of Management and Others in Certain Transactions—Fugazy Travel Bureau, Inc." in the Prospectus.

D. On March 21, 1968, the Company issued to Investors Mutual, Inc., Investors Selective Fund, Inc. and Investors Syndicate of America, Inc. in consideration of the cancellation of the Company's 5¼% Senior Subordinated Notes due April 1, 1976, then outstanding in the aggregate principal amount of $4,500,000, its 5¼% Promissory Notes due April 1, 1972, in the aggregate principal amount of $2,500,000 and its 6% Senior Subordinated Convertible Debentures due April 1, 1988, in the aggregate principal amount of $2,000,000.

E. On June 18, 1968, in connection with the acquisition of the assets and business of Travel Internationale, Ltd., the Company issued and delivered, in partial consideration for such assets and business, 19,990 shares of Common Stock, and, in full payment of brokerage fees with respect to such transaction, an additional 3,000 shares of Common Stock were issued and delivered to A. Mitchell Liftig.

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F. On October 15, 1968, in connection with the acquisition of all the outstanding capital stock of Retail & Professional Men's Credit Bureau, the Company delivered from its treasury, as the initial installment in connection with such acquisition, 6,310 shares of Common Stock. On April 14, 1969, as the final installment in connection with such acquisition, the Company delivered from its treasury an additional 5,360 shares of Common Stock.

G. On October 29, 1968, in connection with the acquisition of all the outstanding capital stock of Travelco, Inc., the Company delivered from its treasury, in partial consideration for such capital stock, 6,417 shares of Common Stock. The Company expects to deliver from its treasury on October 25, 1969, as the final installment in connection with such acquisition, a number of shares of Common Stock which is presently undetermined but which will not exceed 917 shares.

H. On December 3, 1968, in connection with the acquisition of all the outstanding capital stock of National Adjusters, Inc. and twelve affiliated corporations, the Company issued and delivered, as the initial installment in connection with such acquisition, 21,968 shares of Common Stock. On February 6, 1969, as the final installment in connection with such acquisition, the Company issued and delivered 8,570 shares of Common Stock.

I. On January 22, 1969, in connection with the acquisition of all the outstanding capital stock of Fohl Enterprises, Inc., the Company issued and delivered, in full consideration therefor, 1,400 shares of Common Stock.

None of the shares of Common Stock referred to in this Item 26 were registered under the Securities Act of 1933, as amended (the "Act"). The shares referred to in paragraph A, C, and F through I of this Item 26 and the shares, Notes and Debentures referred to in paragraphs B and D of this Item 26 were not registered because the transactions referred to therein did not involve a "public offering" or "sale" and therefore the shares were exempt from registration under Section 4(2) of the Act. The shares referred to in paragraph E of this Item 26 were not registered by reason of the applicability to the acquisition transaction of the exemption of Rule 133 of the General Rules and Regulations of the Securities and Exchange Commission under the Act, and since the brokerage transaction did not involve a "public offering" or "sale", the shares therein involved were exempt from registration under Section 4(2) of the Act. In connection with each transaction referred to in this Item 26, appropriate investment representations were given to the Company.

Item 27. Subsidiaries of the Registrant.

The following list includes all of the subsidiaries of the Company (except for certain subsidiaries which, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary) as of July 14, 1969. Except as otherwise indicated, the voting stock of each company which is not indented is wholly owned by the Company, and the voting stock of each company which is indented is wholly owned by the company immediately above which is not indented to the same degree:

Corporation	Jurisdiction in which Incorporated	Percentage of Voting Stock Owned
Bravo Publishing Co., Inc.	New York	
Club Internationale Management Corp.	District of Columbia	
Consolidated Collectors, Inc.	New York	
D. C. Insurance Agency Limited	Ontario	
Diners' Club (Canada) Limited	Canada	
Diners' Club Equipment Corp.	New York	
Diners' Club Equipment Corporation (Canada) Limited	Ontario	
Diners' Club International, Ltd.	Canada	
Diners' Club Argentina, S.A.C. y F.	Argentina	76%
The Diners' Club Limited	England	51%
Diners' Financial Corporation	New York	
Diners/Fugazy Travel, Inc.	Delaware	
Dial-A-Tour, Inc.	Delaware	
Diners/Fugazy International, S.r.l.	Italy	
Diners/Fugazy Sales Corp.	Delaware	
Diners/Fugazy Travel (Canada) Limited	Ontario	
SITA World Travel (Eastern Canada) Ltd.	Ontario	
Diversified Credit Hawaii, Inc.	Hawaii	
DQM Corporation	Delaware	
Financial Services, Inc.	Delaware	

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Corporation	Jurisdiction in which Incorporated	Percentage of Voting Stock Owned
Fohl Enterprises, Inc.	Delaware	
Airport Sales Corporation	Delaware	
International Floatels, Inc.	Delaware	
Inter-Service Club Card, Inc.	Delaware	50%
National Account Systems, Inc.	Delaware	
A. B. Hartman, Inc.	Delaware	
Indianapolis Accounts Services, Inc.	Indiana	50%
NAS of Oregon, Inc.	Delaware	
National Account Systems of California, Inc.	Delaware	
National Account Systems of Florida, Inc.	Delaware	
National Account Systems of Michigan, Inc.	Delaware	
Creditors Service, Inc.	Michigan	
Creditors Service National Business Division, Inc.	Michigan	
California Collection Agency of Los Angeles, Inc.	California	90%*
California Collection Agency of San Francisco, Inc.	California	90%*
National Account Systems of Minnesota, Inc.	Minnesota	95%*
National Account Systems of Milwaukee, Inc.	Wisconsin	
National Account Systems of Ohio, Inc.	Delaware	
National Adjusters, Inc.	Colorado	
Retail & Professional Men's Credit Bureau	New Jersey	
Waukegan Accounts Service, Inc.	Illinois	
Reservations/USA, Inc.	Mississippi	
SITA World Travel, Inc.	New York	
SITA World Travel (Chicago) Inc.	Illinois	
SITA World Travel (Eastern Division) Inc.	New York	
SITA World Travel (Los Angeles) Inc.	California	
SITA World Travel (Pacific Northwest) Inc.	Washington	
SITA World Travel (San Francisco) Inc.	California	
SITA World Travel (Southern Division) Inc.	Florida	
SITA World Travel (Southwestern Division) Inc.	Texas	
Travelco, Inc.	Pennsylvania	
Fugazy Philadelphia, Inc.	Pennsylvania	

*The balance of the outstanding voting stock is owned by National Account Systems of Michigan, Inc.

All of the above named subsidiaries which were incorporated and activated prior to April 1, 1969 are included in the consolidated financial statements filed by the Company.

Item 28. Franchises and Concessions.

None.

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Item 29. Indemnification of Directors and Officers.

As permitted by the New York Business Corporation Law, indemnification of directors and officers of the Company is provided for in Article VI of the Company's By-laws, which reads as follows:

"Any person made a party to any action, suit or proceeding by reason of the fact that he, his testator or intestate, is or was a director, officer or employee of the corporation or of any corporation which he served as such at the request of the corporation, shall be indemnified by the corporation against the reasonable expenses, including attorneys' fees, actually and necessarily incurred by him in connection with the defense of such action, suit or proceeding, or in connection with any appeal therein, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding, that such officer, director or employee is liable for negligence or misconduct in the performance of his duties. Any amount payable pursuant to this by-law may be determined by vote at a directors' or shareholders' meeting, or may be determined and paid in accordance with the provisions of the General Corporation Law or other law of the State of New York as then in force and effect. The right of indemnification provided for in this by-law shall not be deemed exclusive of any rights to which any director, officer or employee may be entitled apart from this by-law."

In so far as indemnification by the Company of its officers and directors or controlling persons for liabilities arising under the Securities Act of 1933, as amended, may be permitted pursuant to the foregoing provisions of the New York Business Corporation Law and of the By-laws of the Company or otherwise, the Company has been advised that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Act and is therefore unenforceable. In the event that a claim for indemnification (other than the payment by the Company of expenses incurred or paid in the successful defense of any action, suit or proceeding) is asserted by such officer or director or controlling person for liabilities arising out of such Act, in connection with the securities being registered, the Company will, unless the question has already been determined by a precedent deemed by its counsel to be controlling, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Item 30. Treatment of Proceeds from Stock Being Registered.

The Company will receive no part of the proceeds of sale of the shares registered hereunder.

Item 31. (a) Financial Statements:

Financial Statements included in the Prospectus:

Report of Independent Certified Public Accountants.

Consolidated Statement of Net Earnings for the Five Years Ended March 31, 1969.

Notes to Consolidated Statement of Net Earnings.

Consolidated Balance Sheet as at March 31, 1969.

Consolidated Statement of Additional Paid-In Capital for the Three Years ended March 31, 1969.

Consolidated Statement of Earnings Retained in the Business for the Three Years Ended March 31, 1969.

Notes to Consolidated Financial Statements.

Schedules for the year ended March 31, 1969 included in Part II of the Registration Statement:

II—Amounts due from officers for the three years ended March 31, 1969.

VII—Intangible assets for the three years ended March 31, 1969.

IX—Bonds, mortgages and similar debt as at March 31, 1969.

XII—Reserves for the three years ended March 31, 1969.

Schedules I, III, IV, V, VI, VIII, X, XI, XIII, XIV, XV, XVI and XVII are omitted because they are not required or do not apply, or the information is set forth in the financial statements or notes thereto as permitted by Rules 3.03 and 5.04 of Regulation S-X.

Financial statements of Registrant have been omitted as it is primarily an operating company and all subsidiaries included in the Consolidated Financial Statements are totally held except for two subsidiaries which in the aggregate are not material. The unconsolidated subsidiaries in the aggregate do not constitute a significant subsidiary.

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(b) Exhibits:

	Description of Exhibit	Incorporated by Reference to:
2(a)	—Agreement dated July 13, 1967 between the registrant and National Account Systems, Inc.	—
2(b)	—Agreement dated as of February 28, 1969 amending Exhibit 2(a).	—
2(c)	—Agreement dated October 10, 1967 between the registrant and Fugazy Travel Bureau, Inc.	—
2(d)	—Agreement dated January 31, 1968 between the registrant and Sidney J. Winer, et al.	—
2(e)	—Agreement dated March 5, 1968 between the registrant and J. C. Dengler (including, as an exhibit, an employment agreement between SITA World Travel, Inc. and J. C. Dengler).	—
2(f)	—Memorandum of Agreement and Settlement dated December 17, 1968 among the registrant, SITA World Travel, Inc. and J. C. Dengler (together with two related agreements).	—
2(g)	—Agreement dated May 17, 1968 between National Account Systems, Inc. and Archie B. Hartman.	—
2(h)	—Agreement and Plan of Reorganization dated May 27, 1968 between Travel Internationale, Ltd. and the registrant.	—
2(i)	—Agreement and Plans of Reorganization dated November 20, 1968 between National Account Systems, Inc. and Paul A. Ruston.	—
2(j)	—Stock Purchase Agreement dated as of March 31, 1969 among the registrant, Diners' Club International Ltd. and Mercantil de Colocaciones, S.A.	—
3(a)(1)	—Restated Certificate of Incorporation of the registrant, filed September 29, 1955.	Registration Statement No. 2-11994—Exhibit 3(a).
3(a)(2)	—Certificate of Amendment to Certificate of Incorporation of the registrant, filed June 5, 1957.	Current Report on Form 8-K for June, 1957—Exhibit D.
3(a)(3)	—Certificate of Amendment to to Certificate of Incorporation of the registrant, filed June 11, 1958.	Current Report on Form 8-K for June, 1958—Exhibit C.
3(a)(4)	—Certificate of Change of Address with respect to Certificate of Incorporation of the registrant, filed October 22, 1958.	—

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	Description of Exhibit	Incorporated by Reference to:
3(a)(5)	—Certificate of Amendment to Certificate of Incorporation of the registrant, filed June 8, 1959.	Current Report on Form 8-K for June, 1959—Exhibit C.
3(a)(6)	—Certificate of Amendment to Certificate of Incorporation of the registrant, filed July 9, 1965.	—
3(a)(7)	—Certificate of Amendment to Certificate of Incorporation of the registrant, filed July 22, 1969.	Current Report on Form 8-K for July, 1969—Exhibit B.
3(b)(1)	—By-laws of the registrant as of June 30, 1967.	Annual Report on Form 10-K for the fiscal year ended March 31, 1969—Exhibit K.
3(b)(2)	—Amendments to By-laws of the registrant, adopted May 21, 1969.	Current Report on Form 8-K for May, 1969—Exhibit 1.
4(a)(1)	—Specimen certificate for Common Stock, $1 par value, of the registrant (less than 100 shares).	—
4(a)(2)	—Specimen certificate for Common Stock, $1 par value, of the registrant (100 shares).	—
4(a)(3)	—Specimen certificate for Common Stock, $1 par value, of the registrant (unlimited).	—
4(b)(1)	—Note Agreement between the registrant and The Prudential Insurance Company of America, dated March 24, 1965, as amended.	Current Report on Form 8-K for June, 1966—Exhibit 1.
4(b)(2)	—Letter agreement dated September 15, 1966, amending Exhibit 4(b)(1).	Annual Report on Form 10-K for the fiscal year ended March 31, 1968—Exhibit J.
4(b)(3)	—Letter agreement dated December 18, 1967, amending Exhibit 4(b)(1).	Annual Report on Form 10-K for the fiscal year ended March 31, 1968—Exhibit I.
4(b)(4)	—Letter agreement dated June 4, 1968, amending Exhibit 4(b)(1).	Annual Report on Form 10-K for the fiscal year ended March 31, 1968—Exhibit H.
4(b)(5)	—Letter agreement dated December 18, 1968, amending Exhibit 4(b)(1).	Annual Report on Form 10-K for the fiscal year ended March 31, 1969—Exhibit N.
4(b)(6)	—Debenture Purchase Agreement between the registrant and The Continental Insurance Company dated March 31, 1967 (relating to 5⅞% Junior Subordinated Convertible Debentures due April 1, 1987).	Current Report on Form 8-K for March, 1967—Exhibit 1.
4(b)(7)	—Note Purchase Agreement between the registrant and The Continental Insurance Company dated September 27, 1967 (relating to 6¾% Junior Subordinated Notes due October 15, 1968).	Current Report on Form 8-K for September, 1967—Exhibit 1.

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	Description of Exhibit	Incorporated by Reference to:
4(b)(8)	—Agreement—6% Senior Subordinated Convertible Debentures between the registrant and The Continental Insurance Company dated January 30, 1968.	Current Report on Form 8-K for January, 1968—Exhibit 1.
4(b)(9)	—Agreement—6% Junior Subordinated Convertible Debentures between the registrant and The Continental Insurance Company dated January 30, 1968.	Current Report on Form 8-K for January, 1968—Exhibit 2.
4(b)(10)	—Letter agreement dated March 21, 1968 amending Exhibits 4(b)(6), 4(b)(7), 4(b)(8) and 4(b)(9).	—
4(b)(11)	—Letter agreement dated June 4, 1968 amending Exhibits 4(b)(6), 4(b)(7), 4(b)(8) and 4(b)(9).	Annual Report on Form 10-K for the fiscal year ended March 31, 1969—Exhibit F.
4(b)(12)	—Agreement—6% Senior Subordinated Convertible Debentures between the registrant and three affiliates of Investors Diversified Services dated March 1, 1968 (composite conformed copy).	Current Report on Form 8-K for March, 1968—Exhibit 2.
4(b)(13)	—Letter agreements dated June 4, 1968 amending Exhibit 4(b)(12) (three agreements).	Annual Report on Form 10-K for the fiscal year ended March 31, 1969—Exhibits O, P and Q.
4(b)(14)	—Letter agreements dated January 7, 1969 amending Exhibit 4(b)(12) (three agreements).	Current Report on Form 8-K for April, 1969—Exhibits 4B, 4C and 4D.
4(b)(15)	—Agreement—6% Junior Subordinated Convertible Debentures dated July 1, 1968 between the registrant and The Continental Insurance Company.	Current Report on Form 8-K for July, 1968—Exhibit 1.
4(b)(16)	—Agreement—6% Senior Subordinated Convertible Debentures dated September 27, 1968 between the registrant and The Continental Insurance Company.	Current Report on Form 8-K for September, 1968—Exhibit 1.
4(b)(17)	—Agreement—6¼% Senior Subordinated Convertible Debentures dated December 23, 1968 between the registrant and The Continental Insurance Company.	Current Report on Form 8-K for December, 1968—Exhibit 1.
4(b)(18)	—Letter agreement dated December 24, 1968 amending Exhibits 4(b)(6), 4(b)(8), 4(b)(9), 4(b)(15), 4(b)(16) and 4(b)(17).	Annual Report on Form 10-K for the fiscal year ended March 31, 1969—Exhibit R.
4(b)(19)	—Agreement—6½% Junior Subordinated Convertible Debentures dated March 28, 1969 between the registrant and The Continental Insurance Company.	Current Report on Form 8-K for March, 1969—Exhibit 1.

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	Description of Exhibit	Incorporated by Reference to:
4(b)(20)	—Letter agreement dated February 28, 1969 with respect to Exhibit 4(b)(19).	Current Report on Form 8-K for March, 1969—Exhibit 2.
4(b)(21)	—Agreement—7% Senior Subordinated Convertible Debentures dated April 30, 1969 between the registrant and The Continental Insurance Company.	Current Report on Form 8-K for April, 1969—Exhibit 1.
4(b)(22)	—Agreement—7½% Junior Subordinated Convertible Debentures dated April 30, 1969 between the registrant and The Continental Insurance Company.	Current Report on Form 8-K for April, 1969—Exhibit 2.
4(b)(23)	—Letter agreement dated March 24, 1969 with respect to Exhibits 4(b)(21) and 4(b)(22).	Current Report on Form 8-K for April, 1969—Exhibit 3.
5(a)(1)	—Amended Restricted Stock Option Plan of the registrant.	Proxy Statement dated May 29, 1962, filed pursuant to Regulation 14A—Exhibit A.
5(a)(2)	—Form of agreement under the registrant's Amended Restricted Stock Option Plan.	—
5(b)(1)	—1968 Qualified Stock Option Plan of the registrant.	Proxy Statement dated May 31, 1968, filed pursuant to Regulation 14A—Exhibit A.
5(b)(2)	—Form of agreement under the registrant's 1968 Qualified Stock Option Plan.	—
6	—Opinion of Messrs. Botein, Hays, Sklar & Herzberg, dated ....., 1969 (to be filed by amendment).	—
12	—Article VI of the By-laws of the registrant.	Item 29.
13(a)	—Employment agreement dated October 10, 1967 between Fugazy Travel Bureau, Inc. (Delaware), a wholly-owned subsidiary of the registrant ("DFT") and William D. Fugazy.	Annual Report on Form 10-K for the fiscal year ended March 31, 1968—Exhibit N.
13(b)	—Employment agreement dated October 10, 1967 between DFT and Louis V. Fugazy.	Annual Report on Form 10-K for the fiscal year ended March 31, 1968—Exhibit O.
13(c)	—Employment agreement dated October 10, 1967 between DFT and Otto Marx, Jr.	Annual Report on Form 10-K for the fiscal year ended March 31, 1968—Exhibit P.
13(d)	—Collateral agreement dated October 10, 1967 between DFT and William D. Fugazy.	Annual Report on Form 10-K for the fiscal year ended March 31, 1968—Exhibit Q.
13(e)	—Collateral agreement dated October 10, 1967 between DFT and Louis V. Fugazy.	Annual Report on Form 10-K for the fiscal year ended March 31, 1968—Exhibit R.
13(f)	—Collateral agreement dated October 10, 1967 between DFT and Otto Marx, Jr.	Annual Report on Form 10-K for the fiscal year ended March 31, 1968—Exhibit S.

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	Description of Exhibit	Incorporated by Reference to:
13(g)	—Agreement among the registrant, A. Mitchell Liftig, the Messrs. Fugazy and Mr. Marx dated June 18, 1968, which agreement amended Exhibits 13(a), 13(b) and 13(c).	Annual Report on Form 10-K for the fiscal year ended March 31, 1968—Exhibit T.
13(h)	—Agreement dated September 27, 1968 among the registrant, DFT, F T Ventures, Inc., Mr. Marx, the Messrs. Fugazy and A. Mitchell Liftig concerning Exhibits 13(a), 13(b) and 13(c).	Annual Report on Form 10-K for the fiscal year ended March 31, 1969—Exhibit W.
13(i)	—Agreement dated October 1, 1968 among the registrant, DFT and William D. Fugazy amending Exhibit 13(a).	Annual Report on Form 10-K for the fiscal year ended March 31, 1969—Exhibit X.
13(j)	—Agreement dated October 1, 1968 among the registrant, DFT and Louis V. Fugazy amending Exhibit 13(b).	Annual Report on Form 10-K for the fiscal year ended March 31, 1969—Exhibit Y.
13(k)	—Agreement dated October 1, 1968 among the registrant, DFT and Otto Marx, Jr. amending Exhibit 13(c).	Annual Report on Form 10-K for the fiscal year ended March 31, 1969—Exhibit Z.
13(l)	—Employment agreement dated May 19, 1967 between the registrant and Thomas A. Hays.	Annual Report on Form 10-K for the fiscal year ended March 31, 1968—Exhibit U.
13(m)	—Employment agreement dated December 18, 1968 between the registrant and Thomas A. Hays.	Annual Report on Form 10-K for the fiscal year ended March 31, 1969—Exhibit S.
13(n)	—Employment agreement dated June 29, 1967 between the registrant and Philip Adelman.	Annual Report on Form 10-K for the fiscal year ended March 31, 1969—Exhibit T.
13(o)	—Employment agreement dated May 19, 1967 between the registrant and G. Robert Myers.	Annual Report on Form 10-K for the fiscal year ended March 31, 1969—Exhibit U.
13(p)	—Executive Incentive Compensation Plan of the registrant.	Annual Report on Form 10-K for the fiscal year ended March 31, 1966—Exhibit E.
13(q)	—Amendment No. 1 to Executive Incentive Compensation Plan.	Annual Report on Form 10-K for the fiscal year ended March 31, 1967—Exhibit C.
13(r)	—Amendment No. 2 to Executive Incentive Compensation Plan.	Annual Report on Form 10-K for the fiscal year ended March 31, 1967—Exhibit D.
13(s)	—Amendment No. 3 to Executive Incentive Compensation Plan.	Annual Report on Form 10-K for the fiscal year ended March 31, 1968—Exhibit L.
13(t)	—Amendment No. 4 to Executive Incentive Compensation Plan.	Annual Report on Form 10-K for the fiscal year ended March 31, 1968—Exhibit M.
13(u)	—Letter agreement dated February 3, 1969 between the registrant and Fugazy Continental, Inc. of New York.	Annual Report on Form 10-K for the fiscal year ended March 31, 1969—Exhibit V.

Proof of 8-22-59—Sorg/N.Y.—WH. 3-3040—Diners Club (4662)

	Description of Exhibit	Incorporated by Reference to:
13(v)	—Letter agreement dated April 1, 1969 among the registrant, Military Purchase System, Inc. and Anthony F. Kopp.	Annual Report on Form 10-K for the fiscal year ended March 31, 1969—Exhibit AA.
13(w)	—Master Lease Agreement dated September 5, 1968 between the City of Long Beach and DQM Corporation ("DQM").	—
13(x)	—Agreement dated September 5, 1968 among Waters-Edge Operating Corporation, DQM, William Zeckendorf, Jr., Fred Rosenberg and the registrant.	—
13(y)	—Sublease Contract dated May 12, 1969 between DQM and Sky Chefs, Inc.	—

UNDERTAKINGS

Subject to the terms and conditions of Section 15(d) of the Securities Exchange Act of 1934, the undersigned registrant hereby undertakes to file with the Securities and Exchange Commission such supplementary and periodic information, documents and reports as may be precribed by any rule or regulation of the Commission heretofore or hereafter duly adopted pursuant to authority conferred in that section.

Proof of 8-22-69—Sorg/N.Y.—WH. 3-3040—Diners Club (4662)

A-723

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, in the State of New York, on the ..... day of August, 1969.

THE DINERS' CLUB, INC.

By .....*
Alfred S. Bloomingdale, Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed below by the following persons in the capacities indicated below, on the ..... day of August, 1969.

Signature	Title
* Alfred S. Bloomingdale	Chairman of the Board and Chief Executive Officer (principal executive officer), and a Director
 Jules T. Asch	Senior Executive Vice President—Finance and Corporate Planning, Chairman of the Finance Committee (principal financial officer), and a Director
* Matthew P. Gallagher, Jr.	Vice President and Treasurer (principal accounting officer)
* H. Huber Boscowitz	Director
* Peter Colefax	Director
* George Faunce III	Director
* William D. Fugazy	Director
* Covington Hardee	Director
* J. Victor Herd	Director
* Harold E. Johnson	Director
* Anthony F. Kopp	Director
* E. Herrick Low	Director
* David J. Mahoney	Director
* Edwin C. McDonald	Director

*By _____
Jules T. Asch, Attorney-in-Fact

Proof of 8-22-69—Sorg/N.Y.—WH. 3-3040—Diners Club (4662)

Proof of 8-22-69—Sorg/N.Y.—WH. 3-3040—Diners Club (4662)

REPORT AND CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We consent to the use, in the Registration Statement and related Prospectus relating to the registration, pursuant to the requirements of the Securities Act of 1933, as amended, of shares of Common Stock, $1 par value, of The Diners' Club, Inc., of our Report dated June 6, 1969 (except as to Notes 11 and 13, the date of which is July 18, 1969) accompanying the financial statements contained in such Registration Statement, and to the use of our name and statements with respect to us, as appearing under the headings "Consolidated Statement of Net Earnings" and "Experts" in the Prospectus.

In the course of our examination refered to in our report, we also examined the indicated schedules for the three years ended March 31, 1969 listed under item 31(a) of the Registration Statement, and such schedules present fairly the information therein set forth.

TOUCHE, ROSS, BAILEY & SMART
Certified Public Accountants

New York, New York
August , 1969

CONSENT OF COUNSEL

The consent of Botein, Hays, Sklar & Herzberg is contained in their opinion filed as Exhibit 6 to the Registration Statement.

Proof of 8-22-69—Sorg/N.Y.—WH. 3-3040—Diners Club (4662)

THE DINERS' CLUB, INC. AND CONSOLIDATED SUBSIDIARIES

SCHEDULE II—AMOUNTS DUE FROM DIRECTORS, OFFICERS, AND PRINCIPAL HOLDERS OF EQUITY SECURITIES OTHER THAN AFFILIATES

For the Three Years Ended March 31, 1969

Column A	Column B	Column C	Column D		Column E	
			Deductions		Balance Receivable at Close of Period	
Name of Debtor	Balance Receivable at Beginning of Period	Additions	(1) Amounts Written Off	(2) Collections	(1) Current	(2) Not Current
YEAR ENDED MARCH 31, 1967	$ —	$ —	$ —	$ —	$ —	$ —
YEAR ENDED MARCH 31, 1968	$ —	$ —	$ —	$ —	$ —	$ —
YEAR ENDED MARCH 31, 1969:						
Anthony F. Kopp	$ —	$ 80,000	$ —	$ —	$ —	$ 80,000

THE DINERS' CLUB, INC. AND CONSOLIDATED SUBSIDIARIES

SCHEDULE VII—INTANGIBLE ASSETS

For the Three Years Ended March 31, 1969

Column A	Column B	Column C	Column D		Column E	Column F
			Deductions			
Description	Balance at Beginning of Period	Additions at Cost—Describe	(1) Charged to Profit and Loss or Income	(2) Charged to Other Accounts—Describe	Other Changes—Debit and/or Credit—* Describe	Balance at Close of Period
YEAR ENDED MARCH 31, 1967:						
Mailing lists, plates, goodwill and other intangibles (Sheraton)	$ 4,275,000	$ —	$ —	$ —	$ —	$ 4,275,000
Goodwill	238,000	2,070,000(A)	—	124,000(B)	—	2,184,000
	$ 4,513,000	$2,070,000	$ —	$124,000	$ —	$ 6,459,000
YEAR ENDED MARCH 31, 1968:						
Mailing lists, plates, goodwill and other intangibles (Sheraton)	$ 4,275,000	$ —	$ —	$ —	$ —	$ 4,275,000
Goodwill	2,184,000	6,831,000	10,000	914,000(C)	—	8,091,000
	$ 6,459,000	$6,831,000	$ 10,000	$914,000	$ —	$12,366,000
YEAR ENDED MARCH 31, 1969:						
Mailing lists, plates, goodwill and other intangibles (Sheraton)	$ 4,275,000	$ —	$ —	$ —	$ —	$ 4,275,000
Goodwill	8,091,000	2,237,000	120,000	—	—	10,208,000
	$12,366,000	$2,237,000	$120,000	$ —	$ —	$14,483,000

(A) Additions to reflect companies acquired on a pooling of interests, and the consolidation of foreign subsidiaries.

(B) Write-off arising from utilization of net operating loss carry-over of Bravo Publishing Co., Inc. arising prior to date of acquisition.

(C) Write-off resulting from offset against a liability due parent prior to date of acquisition..... $ 26,000
Total expected tax benefit from write-off of collection agency file offset against a liability account 706,000
Reclassified to investment and advances 182,000
$914,000

A 726

Proof of 8-22-69—Sorg/N.Y.—WH. 3-3040—Diners Club (4662)

THE DINERS' CLUB, INC. AND CONSOLIDATED SUBSIDIARIES

SCHEDULE IX—BONDS, MORTGAGES AND SIMILAR DEBT

March 31, 1969

Column A	Column B	Column C	Column D		Column E	Column F	Column G	Column H	
			Amount Included in Column C Which Is					Amount Held by Affiliates for Which Statements Are Filed Herewith	
Name of Issue and Title of Each Issue	Amount Authorized by Indenture	Amount Issued and Not Retired or Cancelled	(1) Held by or for Account of Issuer Thereof	(2) Not held by or for Account of Issuer Thereof	Amount Included in Sum Extended Under Caption "Bonds, Mortgages and Similar Debt" in Related Balance Sheet	Amount in Sinking and Other Special Funds of Issuer Thereof	Amount Pledged by Issuer Thereof	(1) Persons Included in Consolidated Statement	(2) Others
THE DINERS' CLUB, INC.:									
5.125% Senior note	$10,000,000	$10,000,000	$ —	$10,000,000	$10,000,000	$ —	$ —	$ —	$ —
5.25% Promissory notes	2,500,000	2,000,000	—	2,000,000	1,500,000(A)	—	—	—	—
6% Senior Sub. Conv.	2,000,000	2,000,000	—	2,000,000	2,000,000	—	—	—	—
6% Senior Sub. Conv.	1,250,000	1,250,000	—	1,250,000	1,250,000	—	—	—	—
6% Junior Sub. Conv.	1,250,000	1,250,000	—	1,250,000	1,250,000	—	—	—	—
6% Senior Sub. Conv.	5,000,000	5,000,000	—	5,000,000	5,000,000	—	—	—	—
6.25% Junior Sub. Conv.	2,500,000	2,500,000	—	2,500,000	2,500,000	—	—	—	—
6% Junior Sub. Conv.	2,500,000	2,500,000	—	2,500,000	2,500,000	—	—	—	—
6.50% Junior Sub. Conv.	1,250,000	1,250,000	—	1,250,000	1,250,000	—	—	—	—
Other notes payable	1,195,000	773,000	—	773,000	423,000(B)	—	—	—	—
	$29,445,000	$28,523,000	$ —	$28,523,000	$27,673,000	$ —	$ —	$ —	$ —

(A) Does not include $500,000 shown under current liabilities.

(B) Does not include $350,000 shown under current liabilities.

A 727

Proof of 8-22-69—Sorg/N.Y.—WH. 3-3040—Diners Club (4662)

THE DINERS' CLUB, INC. AND CONSOLIDATED SUBSIDIARIES

SCHEDULE XII — RESERVES

For the Three Years Ended March 31, 1969

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at beginning of period	(1) Charged to profit and loss or income	(2) Charged to other accounts —describe	Deductions from reserves —describe(C)	Balance at close of period
YEAR ENDED MARCH 31, 1967:					
Reserve for Doubtful Accounts:					
Cardholder Receivables	$3,267,000	$5,691,000	$ —	$4,697,000	$4,261,000
Accounts Receivable—Other Operations	—	—	—	—	—
	$3,267,000	$5,691,000	$ —	$4,697,000	$4,261,000
Finance and Factoring Operations	1,086,000	63,000	—	537,000	612,000
Other Receivables	—	—	—	—	—
	$4,353,000	$5,754,000	$ —	$5,234,000	$4,873,000
YEAR ENDED MARCH 31, 1968:					
Reserve for Doubtful Accounts:					
Cardholder Receivables	$4,261,000	$8,624,000	$ 8,000 (A) (67,000) (B)	$7,344,000	$5,482,000
Accounts Receivable—Other Operations	—	48,000	15,000 (A) (20,000) (B)	—	43,000
	$4,261,000	$8,672,000	$(64,000)	$7,344,000	$5,525,000
Finance and Factoring Operations	612,000	105,000	67,000 (B)	562,000	222,000
Other Receivables	—	—	20,000 (B)	—	20,000
	$4,873,000	$8,777,000	$ 23,000	$7,906,000	$5,767,000
YEAR ENDED MARCH 31, 1969:					
Reserve for Doubtful Accounts:					
Cardholder Receivables	$5,482,000	$9,034,000	$ —	$8,054,000	$6,462,000
Accounts Receivable—Other Operations	43,000	300,000	—	1,000	342,000
	$5,525,000	$9,334,000	$ —	$8,055,000	$6,804,000
Finance and Factoring Operations	222,000	125,000	—	84,000	263,000
Other Receivables	20,000	275,000	—	—	295,000
	$5,767,000	$9,734,000	$ —	$8,139,000	$7,362,000

(A) Reserves of companies acquired during the years.

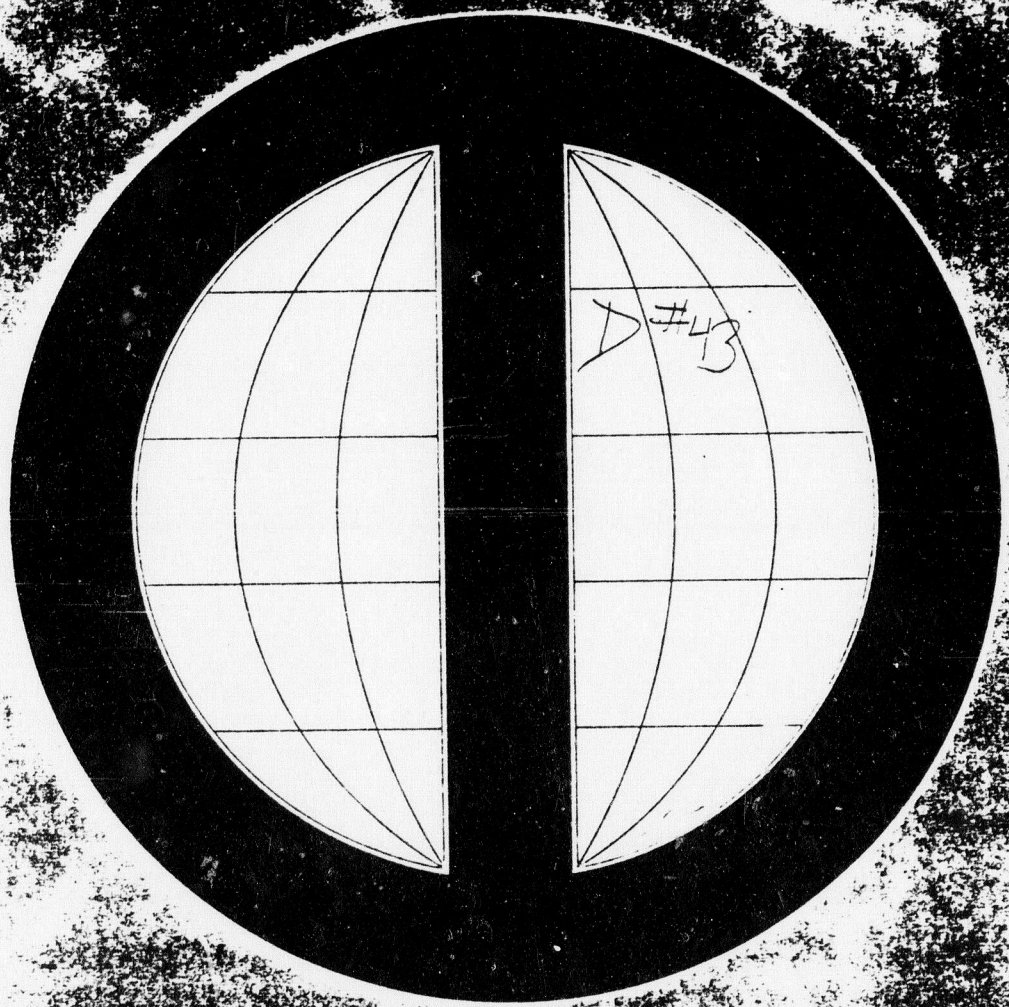
(B) Reclassification of accounts.

(C) Uncollectible accounts written-off, less recoveries.

Proof of 8-22-69—Sorg/N.Y.—WH. 3-3040—Diners Club (4662)

Ex #31 A-729

D #43



THE DINERS' CLUB, INC. / ANNUAL REPORT / YEAR ENDED MARCH 31, 1969

BEST COPY AVAILABLE

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The Diners' Club, Inc.
Annual Report
Year Ended March 31, 1969

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24 Five Year Summary of Earnings
24 Consolidated Statement of Working Funds

Directors

Alfred S. Bloomingdale
Chairman of the Board
and Chief Executive Officer of the Company

Jules T. Asch
Senior Executive Vice President—Finance
and Corporate Planning and
Chairman of the Finance
Committee of the Company

H. Huber Boscowitz
New York Sales Manager, F. N. Burt Company, Inc.

Peter Colefax
Retired; Honorary Chairman of the Board and
Director and consultant, American Potash &
Chemical Corporation

George Faunce III
President of the Company, Chairman of the Board,
Afco Credit Corporation

William D. Fugazy
President of Diners/Fugazy Travel, Inc.

Covington Hardee
Partner, Clark, Carr & Ellis, attorneys

J. Victor Herd
Chairman of the Board and Chief Executive Officer,
The Continental Insurance Company

Harold E. Johnson
Executive Vice President, The Continental
Insurance Company

Anthony F. Kopp
President, Credit Card Division of the Company

E. Herrick Low
Vice Chairman of the Board,
United California Bank

David Mahoney
President and Director, Norton Simon, Inc.

Edwin C. McDonald
Chairman of the Board, Royal Bank of Canada Trust
Co., New York, and Senior Director
and Vice President, Royal Bank of Canada

Alfred S. Bloomingdale

H. Huber Boscowitz

David Mahoney

Edwin C. McDonald

Peter Colefax

William D. Fugazy

Anthony F. Kopp

George Faunce III

J. Victor Herd

Harold E. Johnson

Covington Hardee

E. Herrick Low

Jules T. Asch

Officers

Alfred S. Bloomingdale
Chairman of the Board and Chief Executive Officer

George Faunce III
President

Anthony F. Kopp
President, Credit Card Division

Jules T. Asch
Senior Executive Vice President, Finance and Corporate Planning and Chairman of the Finance Committee

G. Robert Myers
Executive Vice President, Credit and Collection

Philip Adelman
Senior Vice President, Legal Department and Secretary

Seymour Flug
Senior Vice President, Finance

Marvin P. Price
Senior Vice President, Sales Administration

John G. Regan
Senior Vice President, Operations

William Richman
Senior Vice President, Marketing

Gwynn H. Robinson
Senior Vice President, International Division

Lynn Coons
Vice President, Member Service

Alphonse Del Guercio
Vice President, Personnel Administration

Matthew P. Gallagher, Jr.
Vice President and Treasurer

Reynold Gouverneur
Vice President, Advertising

Kenneth Griffis
Vice President, Administration (Los Angeles)

John O'Toole
Vice President, Security

Joel L. Saphir
Vice President, Research

John Yula
Vice President, Data Processing

Robert A. Maresca
Controller

Alan L. Gordon
Assistant Treasurer

Alfred S. Bloomingdale, Chairman of the Board and Chief Executive Officer

To the Shareholders

The volume of our business and revenues increased to record high levels in the fiscal year ended March 31, 1969, but net earnings declined sharply, as shown in the summary of earnings (page 5). Net earnings for the year were $913,724 before extraordinary items and $1,480,879 after such items, compared with net earnings of $2,444,566 (restated) and $3,014,231 (as reported) for the previous fiscal year. After applicable income taxes, extraordinary items in fiscal 1969 amounted to $567,155, consisting of net gains of $445,155, $16,000 and $106,000, respectively, from the sale of a 51% interest in Diners Club of Venezuela, the sale of a 24% interest in Diners Club of Argentina and the sale of the Wayfarers Club.

Net earnings before extraordinary items were affected adversely in fiscal 1969 by rising costs and by problems incident to the assimilation of a relatively large number of acquisitions in a short period. Operating costs rose materially and there were substantial increases in the promotion and advertising expenses of the Credit Card Division and the Travel Division, including Club Internationale. Short-term borrowings and long-term debt increased considerably, primarily as a result of additional financial requirements relative to the continuing growth in our credit card volume. Unfortunately, the large increases in borrowings occurred during a period of extremely tight money market conditions, thereby producing a sharp rise in our interest expense. As a percentage of credit card volume, the provision for doubtful accounts receivable in fiscal 1969 was lower than the previous year. However, the provision was higher than anticipated and included a substantial year-end adjustment which was added to operating expenses. Operating results of the Travel Division were affected by reductions in revenues and increases in expenses involved in the suspension of Diners/Fugazy steamship agency sales and by large increases in the promotional and other expenses of Club Internationale, including the costs of newly opened offices. The results of the Collection Agencies Division reflected additional expenses for systems conversions in connection with integrating the operations of acquired companies.

The volume of our Credit Card Division, including custom credit card subsidiaries, reached a new record level of $528,955,000 in fiscal 1969 and increased 23% over the previous year. In addition, charge volume incurred by foreign Diners Club cardholders outside the United States and Canada amounted to approximately $190,000,000 and increased 34% over the prior year. These substantial gains in volume are indicative of the vitality of our credit card business.

Our international coverage has been augmented as a result of recently completed negotiations whereby Diners Club is the

SUMMARY OF EARNINGS

	Fiscal Years Ended March 31,		
	1969	1968 Restated(a)	1968 As Reported
Net Earnings before extraordinary items and before consolidation of foreign subsidiaries and pooling effect of certain companies acquired	$ 718,406	$3,014,231	$3,014,231
Net Earnings of foreign subsidiaries	247,441	25,305	—
Net Earnings (or Losses) of certain companies acquired on a pooling of interests basis	(52,123)	(594,970)	—
Net Earnings before Extraordinary Items	$ 913,724	$2,444,566	$3,014,231
Extraordinary Items net of applicable taxes	567,155	—	—
Net Earnings	$1,480,879	$2,444,566	$3,014,231
Earnings per Common Share(b):			
Before Extraordinary Items	$0.44	$1.25	$1.60(c)
Extraordinary Items	$0.27	—	—
After Extraordinary Items	$0.71	$1.25	$1.60(c)
Average Number of Shares Outstanding	2,084,949	1,954,467	1,882,754(c)

(a) After consolidation of foreign subsidiaries not consolidated in prior years and after including pre-acquisition operations of certain companies accounted for on a pooling of interests basis.

(b) Based on average shares outstanding.

(c) Adjusted for stock dividends.

first credit card authorized for use within the U.S.S.R. In connection with our investments in foreign Diners Club franchises and affiliates, we recently sold a 51% interest in Venezuela, and during the year acquired ownership interests in Spain, Brazil, Benelux and Asia and increased our investment in France.

In February we announced an exciting new concept involving waterborne hotels and motels which has been developed by our subsidiary, International Floatels, Inc. This new Floatels system, described more fully later in this report, is being marketed on a franchise basis and has aroused considerable interest in the hotel-motel industry.

Through a subsidiary, DQM Corporation, we hold the master lease for the development of commercial space aboard the Queen Mary which is owned by the City of Long Beach, California. We have recently executed a major sub-lease for the operation of the hotel, restaurant and convention facilities aboard the Queen Mary by Sky Chefs, Inc., a subsidiary of American Airlines, Inc. In connection with this sub-lease, it should be pointed out, however, that the Company and others are defendants in pending litigation to which reference is made in note 11 to the accompanying financial statements.

During the two fiscal years ended March 31, 1969, the Company has invested in a project for the development of an automated reservations system for hotels, motels and auto rentals. The first stage of this system has been essentially completed and is operational. Completion of all stages of this project would require a substantial additional investment and, since the Company is not willing to make such additional investment, it is currently negotiating to sell the system. In the opinion of management, such prospective sale will not result in any material loss to the Company. Accordingly, costs

incurred in connection with the development of the system, amounting to $1,644,509 at March 31, 1969, are carried as an investment on the Company's balance sheet. Reference is made to note 3 to the accompanying financial statements.

During the fiscal year ended March 31, 1969, we sold to The Continental Insurance Company, $11,250,000 principal amount of long-term subordinated convertible debentures and 37,879 shares of common stock for aggregate net proceeds of approximately $12,500,000. Of this financing, $2,500,000 is subject to ratification by shareholders at the forthcoming annual meeting. In addition, since March 31, 1969, we have sold to Continental $5,000,000 principal amount of long-term subordinated convertible debentures and 181,819 shares of common stock for aggregate net proceeds of approximately $10,000,000, subject to ratification by shareholders.

At the Board of Directors meeting of June 6, 1969, a regular quarterly cash dividend of 12½ cents per share was declared payable June 25, 1969 to shareholders of record June 16, 1969. No action was taken with respect to the declaration of a dividend payable in common stock.

The following changes have been made in executive management. William D. Fugazy resigned as President of the Company on February 21, 1969 to devote his full time to the Travel Division as President of Diners/Fugazy Travel, Inc. Mr. Fugazy continues as a Director of Diners Club. On March 25, 1969, George Faunce III was elected President of the Company. Mr. Faunce was formerly President of Afco Credit Corporation and is now Chairman of the Board of that company. Mr. Faunce has been a Director of Diners Club since 1967. Anthony F. Kopp was elected President—Credit Card Division as of March 25, 1969. Mr. Kopp continues as a Director of Diners Club and President of Financial Services, Inc., a wholly-owned subsidiary. Jules T. Asch was elected Senior Executive Vice President—Finance and Corporate Planning on December 18, 1968. Mr. Asch continues as a Director of Diners Club and Chairman of the Finance Committee.

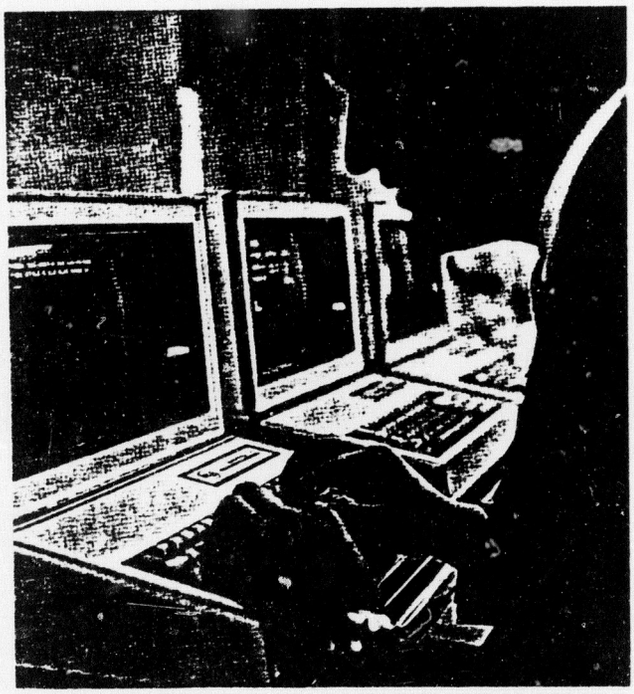
Our acquisition program involving collection agencies and travel businesses has been largely completed and no additional major acquisitions are contemplated at this time. Our entry into the travel field is a natural extension of our credit card business which has expanded the scope of our operations and provides important travel facilities for our cardholders. Similarly, the development of our national network of collection agencies represents diversification into a field closely related to our current operations. While problems have been encountered in connection with the assimilation of a relatively large number of acquisitions, considerable progress is being made in integrating the operations and marketing efforts of various acquired companies.

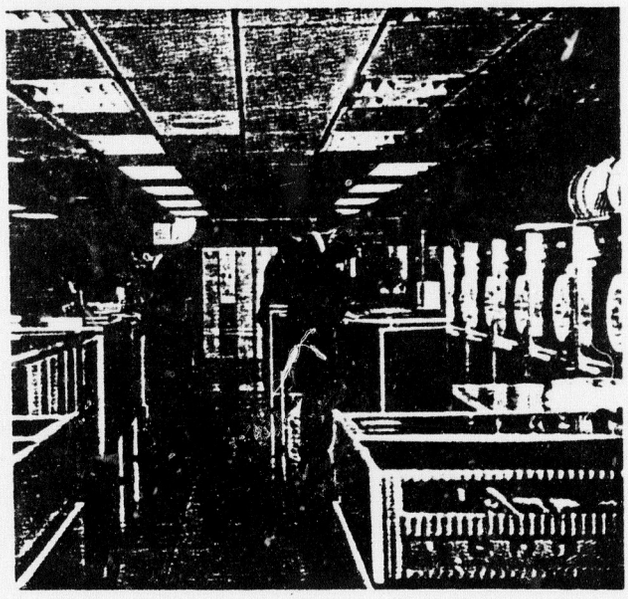
The prospects remain bright for further substantial growth in our credit card, travel and collection agency businesses. Management is confident that in the year ahead, significant improvements will be effected in the systems, services and profit margins of all of our operating divisions.

Respectfully submitted,

Alfred S. Bloomingdale
Chairman of the Board
and Chief Executive Officer

June 16, 1969





Credit Card Division

Charge Volume at Record Levels

The volume of charges processed by the Credit Card Division, including custom credit card subsidiaries, reached a new high level in fiscal 1969 and amounted to $528,955,000. This was 23% higher than the $430,938,000 reported for fiscal 1968. These totals do not include charges incurred outside the United States and Canada by holders of cards issued by Diners Club foreign franchises and foreign subsidiaries. The volume of such charges in the past fiscal year amounted to approximately $190,000,000 which was 34% higher than the previous year.

DINERS CLUB OPERATIONS

International Coverage

During the year, we continued to expand the world-wide coverage of Diners Club charge facilities and maintained our position of leadership in foreign markets. The truly international nature of the Diners Club Credit Card is evidenced by the fact that it is now honored in more than 150 foreign countries and territories (see pages 10 and 11). Negotiations have just been completed whereby Diners Club is the first credit card authorized for use within the U.S.S.R. Our card is now accepted at the Intourist facilities in Moscow, including Intourist hotels, restaurants, sightseeing and car rentals. It is expected that Diners Club charge facilities will be extended to other major cities in the U.S.S.R.

Above: Video display units for credit authorization, Diners Club, New York
Left: Computer room; Financial Services, Philadelphia

Diners Direct Credit Plan

In March of this year, the Diners Direct Credit Plan was launched, offering unsecured loans ranging from $2,000 to $25,000 to Diners Club cardholders in good standing, upon submission of satisfactory credit applications. This program represents a new and valuable service for our cardholders. A unique feature of the plan is that all transactions are handled by mail. The plan was developed in co-operation with Associates Investment Company, a major financial institution, and is operated by a subsidiary of Associates which makes the loans and assumes the responsibilities for credit approvals, collections and accounting. Diners Club is responsible for promotion of the plan to cardholders. It is contemplated that we will be reimbursed for the costs of the initial promotions and that we will receive additional advertising revenues for the continued promotion of the plan. Diners Club is not required to invest capital in loan receivables generated by the plan and is not subject to credit loss exposure. Results of the initial promotion mailings indicate considerable cardholder interest in the Diners Direct Credit Plan.

American Torch Club Program

Last year, we concluded arrangements with American Oil Company, a major subsidiary of Standard Oil Company (Indiana), for the joint sponsorship by Diners Club and American Oil of the new American Torch Club travel and entertainment credit card. American Torch Club memberships are being offered to selected holders of American and Standard gasoline service credit cards. An annual fee is charged for the Torch Club card and it is honored at Diners Club domestic and international establishments. Under this program, American Oil is responsible for promotion, credit investigation, collections and billing, while Diners Club is responsible for receiving charges from and making payments to member establishments, processing charges prior to billing and processing establishment requests for credit authorization. We receive a share of the annual American Torch Club membership fees and a share of the discount income from the charge volume of American Torch Club cardholders at Diners Club establishments. Initial promotion of the program by the American Oil Company began last October and the results to date have been gratifying.

FINANCIAL SERVICES, INC. OPERATIONS

Credit Control System

Our subsidiary, Financial Services, Inc. is a pioneer and leader in the operation of custom (private label) credit card programs for retailers, airlines and banks. Early in 1968, Financial Services completed the development of a new on-line, real-time computerized system providing positive credit authorization and control for credit sales inquiries. Through the use of a simple touch-tone telephone unit at the point of sale, a credit inquiry is communicated to a central computer and positive voice response to authorize or reject the credit is generated in microseconds. The new system, which is fully operational, has the advantages of speed and simplicity and is designed to reduce credit losses from over-limit transactions as well as losses from the fraudulent use of credit cards. Moreover, Financial Services' credit control system is readily adaptable to prospective technological developments in data recording and data communications.

Ford Credit Card Plan

Arrangements have been completed for the operation by Financial Services of a new Ford credit card plan, and early in April the Ford Motor Company announced that the plan had been launched on a test basis with dealers in Atlanta and Portland, Ore. Under the plan, cardholders may charge at Ford, Mercury and Lincoln dealers for maintenance, parts, accessories and other services, with extended payment privileges up to twenty four months. Cardholders may not, however, charge for purchases of new or used vehicles. The plan will also be tested with dealers in New York City and Newark, N. J. and is expected to be extended to other areas in the near future.

Inter-Service Club Card

In April of this year, Diners Club and Military Purchase System Inc. entered into an agreement for the joint ownership, financing and operation of Inter-Service Club Card, Inc. This corporation has been established to operate a world-wide credit card charge and billing program for United States officers' and non-commissioned officers' clubs in the five branches of military service. Financial Services, Inc. will provide Inter-Service with data processing and related services, including certain financing in connection with the program. Several military clubs have executed agreements to participate in the program and operations are expected to commence in July.

Financial Services Programs for Bank Credit Cards

Pursuant to arrangements which became effective in April, 1969, Financial Services performs various operations on a service bureau basis for the credit card program of the Security Trust Company of Rochester, N. Y. These services include credit card issuance, processing of charges and related data processing and accounting functions. In addition, this program utilizes the computerized credit authorization control system developed and operated by Financial Services. Under the arrangements, Financial Services has no credit loss exposure and has no investment in accounts receivable.

Financial Services also services credit card programs for the Bank of Delaware, Wilmington, Del., the Trenton Trust Company, Trenton, N. J. and other banks.

Tape to tape data transmission, Financial Services, Philadelphia

World-Wide Coverage of Diners Club Credit Card Charge Facilities

UNITED STATES

CANADA

CARIBBEAN
Antigua
Aruba
Bahamas
Barbados
Bermuda
Bonaire
Curacao
Dominica
Dominican Republic
Grand Cayman
Grenada
Guadeloupe
Haiti
Jamaica
Martinique
Puerto Rico
Saint Augustin
Saint Martin
Santa Lucia
Tobago
Trinidad
Virgin Islands

CENTRAL AMERICA & MEXICO
British Honduras
Costa Rica
El Salvador
Guatemala
Honduras
Mexico
Nicaragua
Panama

SOUTH AMERICA
Argentina
Bolivia
Brazil
Chile
Colombia
Ecuador
French Guiana
Guyana
Paraguay
Peru
Surinam
Uruguay
Venezuela

EUROPE
Andorra
Austria
Azores
Balearic Islands
Belgium
Bulgaria
Canary Islands
Channel Islands
Corsica
Cyprus
Czechoslovakia
Denmark
Finland
France
Germany
Gibraltar
Great Britain
Greece
Hungary
Iceland
Ireland
Italy
Liechtenstein
Luxembourg
Madeira
Malta
Monaco
Netherlands
Norway
Poland
Portugal
Rumania
Scotland
Spain
Sweden
Switzerland
Turkey
U.S.S.R.
Wales
Yugoslavia

NORTHERN AFRICA
Algeria
Egypt

Libya
Morocco
Tunisia

OCCIDENTAL AFRICA
Dahomey
Ghana
Ivory Coast
Liberia
Mali
Mauritania
Niger
Nigerian Republic
Senegal
Sierra Leone
Togo
Volta

CENTRAL AFRICA
Burundi
Chad Republic

EQUATORIAL AFRICA
Cameroon
Central African Rep.
Congo (Brazzaville)
Gabon
Republic of Congo

SOUTHERN AFRICA
Mozambique
Rhodesia
South Africa

ORIENTAL AFRICA
Angola
Ethiopia
Kenya
Malagasy Republic
Malawi
Mauritius
Reunion
Somalia
Somali Coast
Tanzania
Uganda
Zambia

MIDDLE EAST
Bahrain
Iran
Iraq
Israel
Jordan
Kuwait
Lebanon
Saudi Arabia
Syria

FAR EAST
Ceylon
Hong Kong
India
Japan
Laos
Macao
Malaysia
Nepal
New Guinea
Okinawa
Pakistan
Philippines Republic
Singapore
South Korea
South Vietnam
Taiwan
Thailand

SOUTH PACIFIC
Australia
Fiji Islands
Guam
New Caledonia
New Zealand
Tahiti

BEST COPY AVAILABLE

Collection Agencies Division

Additional Acquisitions

Our position in the collection agency industry was expanded substantially during the past fiscal year. Following our acquisitions during fiscal 1968 of National Account Systems, Inc. (Chicago), Stores Collection Bureau of Los Angeles, Inc., and Creditors Service, Inc. (Detroit), we acquired several additional collection agencies during the past fiscal year. These include A. B. Hartman, Inc. (New York), R. B. Bernstein and Associates, Inc. (Cleveland), Retail and Professional Men's Credit Bureau (Paterson, N. J.) and National Adjusters, Inc., and affiliated companies (operating in Colorado, New Mexico, Utah and Texas). We also acquired six smaller collection agencies in major cities.

Key Punch Section, National Account Systems, Inc., Chicago

Largest Collection Service

Our Collection Agencies Division now comprises the world's largest collection service with a nationwide network of 64 offices currently processing approximately $125,000,000 annually in listed collection accounts for a wide variety of clients, including petroleum companies, utilities, retailers, banks, hospitals, airlines, temporary help services and many others.

New Division Headquarters

In December, 1968, the principal office of National Account Systems, Inc., which serves as divisional headquarters, was expanded and relocated in 30,000 square feet of modern office space in Chicago. The centralized computer facilities at divisional headquarters were converted to "third generation" equipment during the past fiscal year in order to provide for greater capacity and speed in the production of computerized statistical and other reports for clients. The design and timely production of such reports is a distinctive service feature of our collection agency operations.

New Offices and Franchise Program

During fiscal 1969, seven new company-owned offices of National Account Systems were opened in major marketing areas. In addition, in November, we launched a new franchise program whereby qualified collection agencies may join National Account Systems as franchised members in cities with populations of 40,000 to 400,000. The results of this program to date have been gratifying and franchise

arrangements have already been completed for fifteen franchise offices operating in seven states.

Systems Conversions of Companies Acquired

The completion of a relatively large number of acquisitions in a short period has required considerable systems conversions in order to effectively integrate acquired companies into the Collection Agencies Division.

Travel Division

General Comments

Our entry into the travel field is a natural extension of our credit card business which not only broadens the scope of our operations, but provides important travel facilities for Diners Club cardholders. The major components of our Travel Division are Diners/Fugazy Travel, Inc., Sita World Travel, Inc., and Club Internationale Management Corp. During the past fiscal year, operating results of the Travel Division were affected adversely by a number of factors, including substantial increases in promotion, advertising and operating expenses, reductions of revenues and additional costs involved in the suspension of steamship sales agency arrangements and the expenses of opening new facilities and integrating various operations. In the year ahead, we expect to make substantial progress in developing better co-ordination of marketing efforts and improvements in operating expense controls.

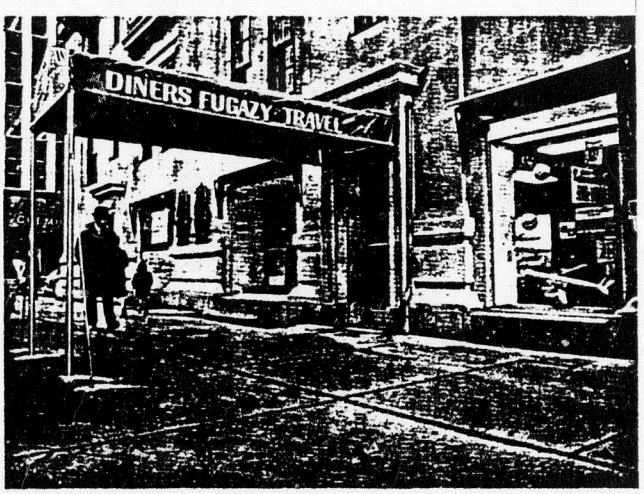
New Diners/Fugazy Travel Office at 417 Park Avenue, New York City

Diners/Fugazy Travel, Inc.

Diners/Fugazy Travel, Inc. (formerly Fugazy Travel Bureau, Inc.) was acquired by Diners Club in October, 1967. Established in 1870, this business is the world's third largest travel organization and offers general and commercial travel at the retail and wholesale levels, group and incentive travel and package tours.

The retail travel business is conducted primarily through licensed franchises located throughout the United States, in Canada and in other foreign countries. During fiscal 1969, substantial progress was made in our franchise program and 80 new franchises were sold, including 8 covering foreign areas other than Canada. There are now 127 travel offices in operation of which 115 are franchised. In addition, 30 franchised offices are to be opened shortly, pursuant to existing arrangements.

Diners/Fugazy is also a leader in creating group and incentive travel and merchandise programs for major corporations and other organizations. These programs are used extensively by business and industry as awards for



dealers, distributors and sales personnel. The growth and operating results of our group and incentive travel department have been gratifying.

Activities of Diners/Fugazy as general sales agents for passenger steamships have been suspended as a result of the withdrawal from service of the S.S. Independence in December, 1968 because of labor difficulties and the subsequent withdrawal of the S.S. Caribia in March, 1969 due to mechanical damage requiring major repairs. Plans are being explored for the reactivation of the S.S. Caribia and the resumption of our sales agency activities.

Wholesale Travel Operations

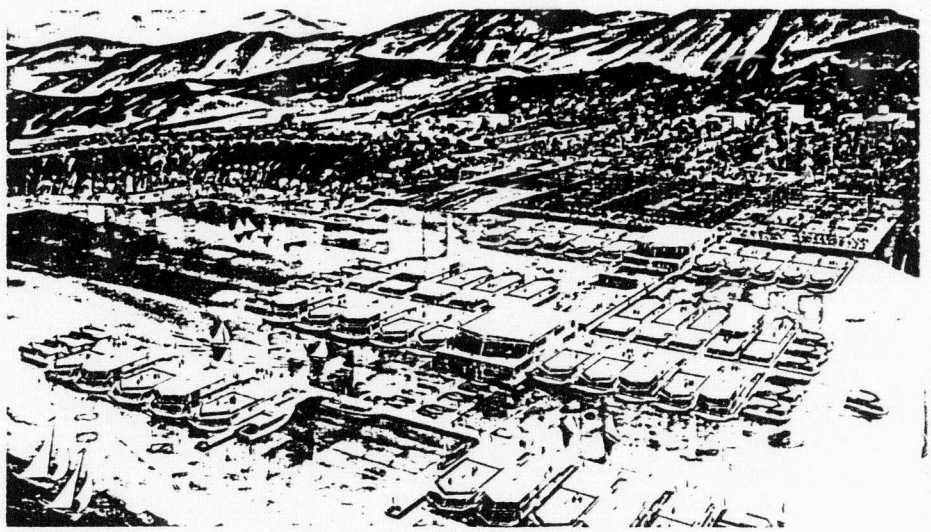
Our wholesale travel operations are conducted principally through Sita World Travel, Inc., acquired in April, 1968, and Dial-A-Tour, which was included in the original acquisition of Fugazy Travel Bureau, Inc. These companies create package tours for sale by retail travel agents. Sita operates 28 offices, including locations in Europe, Asia, Africa and the Far East, while Dial-A-Tour specializes in tours to the Caribbean, Miami and Mexico areas. Efforts are being made to improve marketing and to integrate the operations of widely scattered branch offices.

Club Internationale

Through a subsidiary, Club Internationale Management Corp., the business of which we acquired in June, 1968, we manage the operations of Club Internationale under a service contract and savings fund agreement. Club Internationale, a pioneer in the vacation savings club field, is organized into 48 chapters throughout the United States of which 28 are franchised and 20 are company-owned chapters opened during the latter half of the past fiscal year. Large increases in promotion and other expenses and the costs of newly opened offices had material adverse effects on the operating results of Club Internationale Management Corp.

Queen Mary Project

During the past year our subsidiary, DQM Corporation, entered into a master lease with the City of Long Beach, California, covering the commercial space on the Queen Mary. On the basis of present estimates, it is expected that the project will be completed and become operational in the summer of 1970. Under the master lease, we are making extensive modifications and renovations to provide for a 411 room hotel, a variety of restaurants and cocktail lounges, retail shops, a convention center and other related facilities. We have already completed arrangements for sub-leasing the bulk of the retail shopping space. We recently executed a sub-lease with Sky Chefs, Inc., a subsidiary of American Airlines, Inc., which will operate the hotel, food and beverage, banquet and convention facilities. The sub-lease with this prime tenant is a development of major importance which augurs well for the future success of the Queen Mary project as a major tourist and convention center. It should be pointed out, however, that in connection with this sub-lease, the Company and others have been named as defendants in pending litigation referred to in note 11 to the accompanying financial statements.



Artist's Rendering of Floatel Installation

International Floatels

In February of this year, following research and feasibility studies conducted over a period of some nine months, we announced an exciting new concept of waterborne hotels and motels to be constructed on floating hulls. This new "Floatels" system, developed by our subsidiary, International Floatels, Inc., will be marketed on a franchise basis in the United States and in foreign territories. International Floatels has made arrangements for the construction of the floating units by two prominent houseboat building firms.

The Floatels system involves pre-fabricated floating hulls of various types and sizes which will be moored to specially designed and engineered piers. The hulls will include 60-foot stationary houseboat units with four to six hotel rooms each, smaller motorized houseboat units accommodating four to six people and larger floating central units containing restaurants, cocktail lounges, swimming pools, reception areas, managers' offices and other facilities. The Floatel configuration is modular and will afford great flexibility to meet various specific needs for accommodations and services. The pier system has been designed by marine and hydraulics engineers in consultation with marine insurers.

Underlying the Floatels concept is the growing need for additional hotel-motel accommodations in key vacation centers, including Florida, the Gulf States, California, the Caribbean, Hawaii and various foreign resort areas. The Floatels system provides an economical means of substantially enlarging the accommodation facilities in these areas and offers important advantages to the franchisee. Widespread interest in Floatels has been shown by the hotel-motel industry and by owners of waterfront properties. International Floatels has recently sold the first Floatels franchise covering the west coast of Florida and is currently negotiating sales of franchises in other areas. International Floatels will not be involved in the ownership or financing of properties and facilities, but will derive its revenues from franchise fees, commissions and royalties.

THE DINERS' CLUB, INC. and Consolidated Subsidiaries CONSOLIDATED BALANCE SHEET

ASSETS

	March 31,		
	1969	1968 Restated (Note 1)	1968 As Reported
CURRENT ASSETS:			
Cash	**$ 14,071,359**	$ 11,736,846	$ 10,885,198
Notes and accounts receivable (Note 2)	**149,354,816**	118,260,109	115,093,951
Other accounts receivable	**8,759,515**	6,181,083	4,475,427
Prepaid expenses	**2,293,565**	1,846,680	1,787,496
TOTAL CURRENT ASSETS	**$174,479,255**	$138,024,718	$132,242,072
INVESTMENTS AND ADVANCES—at cost (Note 3)	**4,496,246**	699,908	2,892,502
EQUIPMENT AND LEASEHOLD IMPROVEMENTS—at cost, less accumulated depreciation and amortization—$3,130,416, $2,416,871 and $2,150,043, respectively (Note 4)	**3,932,319**	3,305,580	2,935,541
GOODWILL, MAILING LISTS, PLATES AND OTHER INTANGIBLES—at cost (Note 5)	**14,482,632**	12,366,015	11,086,980
DEFERRED CHARGES AND OTHER ASSETS (Note 6)	**5,059,719**	949,191	983,880
	$202,450,171	$155,345,412	$150,140,975

See Notes to Consolidated Financial Statements

LIABILITIES AND SHAREHOLDERS' INVESTMENT

	March 31,		
	1969	1968 Restated (Note 1)	1968 As Reported
CURRENT LIABILITIES:			
Notes payable—banks	**$ 72,998,759**	$ 39,529,465	$ 37,727,000
Notes payable—commercial paper	**10,830,000**	19,850,000	19,850,000
Accounts payable	**42,731,773**	37,200,644	35,322,591
Accrued expenses	**8,511,150**	5,491,534	3,907,550
Current portion—long-term debt	**850,019**	3,027,581	3,012,000
Income taxes payable (Note 7)	**1,134,166**	190,682	585,447
TOTAL CURRENT LIABILITIES	**$137,055,867**	$105,289,906	$100,404,588
LONG-TERM DEBT (Notes 8 and 13)	**$ 27,673,325**	$ 19,075,000	$ 19,075,000
MINORITY INTERESTS (Note 9)	**$ 680,176**	$ 535,445	$ —
SHAREHOLDERS' INVESTMENT (Notes 8, 10 and 13):			
Common stock, par value $1.00 per share Authorized—3,500,000 shares Issued and outstanding—2,242,820, 2,022,392 and 1,968,864 shares, respectively	**$ 2,242,820**	$ 2,022,392	$ 1,968,864
Additional paid-in capital	**33,160,677**	25,233,705	24,912,227
Earnings retained in the business	**1,637,306**	3,857,082	4,777,349
	$ 37,040,803	$ 31,113,179	$ 31,658,440
Less common stock held in treasury—at cost; -0-, 38,200 and 57,007 shares, respectively	**—**	668,118	997,053
TOTAL SHAREHOLDERS' INVESTMENT	**$ 37,040,803**	$ 30,445,061	$ 30,661,387
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 6, 11 and 13)			
	$202,450,171	$155,345,412	$150,140,975

THE DINERS' CLUB, INC. and Consolidated Subsidiaries
CONSOLIDATED STATEMENT OF NET EARNINGS

	Year Ended March 31,		
	1969	1968 Restated (Note 1)	1968 As Reported
Credit card volume:			
United States and Canada	$528,955,000	$430,938,000	$430,938,000
Foreign subsidiaries	30,596,000	23,663,000	—
	$559,551,000	$454,601,000	$430,938,000
Revenues from credit card operations:			
Discount from establishments, cardholder fees and service charges	$ 44,745,304	$ 38,385,052	$ 36,664,400
Miscellaneous revenues from related operations	5,205,474	4,215,563	4,215,563
Revenues from other operations	17,772,351	7,888,577	5,991,515
	$ 67,723,129	$ 50,489,192	$ 46,871,478
Operating expenses:			
General and administrative	$ 14,770,098	$ 11,021,825	$ 7,813,492
Information processing	7,322,705	5,442,365	5,421,356
Promotion and advertising	12,232,146	7,996,098	7,702,882
Credit investigation and collection	14,232,844	8,082,152	7,205,644
Provision for doubtful accounts	10,100,358	8,676,998	8,544,548
Interest	5,966,821	3,758,650	3,668,014
Depreciation and amortization	799,433	536,538	459,683
	$ 65,424,405	$ 45,514,626	$ 40,815,619
Earnings before income taxes and extraordinary items	$ 2,298,724	$ 4,974,566	$ 6,055,859
Income taxes (Note 7):			
Current	$ 375,000	$ 1,552,000	$ 1,358,628
Deferred	1,010,000	978,000	1,683,000
	$ 1,385,000	$ 2,530,000	$ 3,041,628
Earnings before extraordinary items	$ 913,724	$ 2,444,566	$ 3,014,231
Gain on sales of interests in certain subsidiaries, net of deferred income taxes of $297,000	567,155	—	—
Net earnings	$ 1,480,879	$ 2,444,566	$ 3,014,231
Net earnings per share based on average shares outstanding (after giving effect to 3% stock dividends):			
1969—2,084,949			
1968 restated—1,954,467			
1968 as reported—1,882,754			
Before extraordinary items	$.44	$1.25	$1.60
Extraordinary items	.27	—	—
After extraordinary items	$.71	$1.25	$1.60

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF ADDITIONAL PAID-IN CAPITAL AND EARNINGS RETAINED IN THE BUSINESS

	Year Ended March 31,			
	1969		1968	
	Additional paid-in capital	**Earnings retained in the business**	Additional paid-in capital	Earnings retained in the business
Balance at the beginning of the period as previously reported	**$24,912,227**	**$4,777,349**	$18,978,649	$3,983,737
Adjustment to reflect poolings, net of expenses, and inclusion of foreign subsidiaries (Note 1)	**321,478**	**(920,267)**	321,478	(350,602)
Balance at the beginning of the period restated	**$25,233,705**	**$3,857,082**	$19,300,127	$3,633,135
Add:				
Net earnings for the period	**—**	**1,480,879**	—	2,444,566
Excess of fair market value over par value of:				
57,356 and 51,209 shares of common stock issued as a stock dividend on June 14, 1968 and June 15, 1967, respectively	**2,638,329**	**—**	1,235,418	—
62,000 shares of common stock issued in connection with the acquisition of Fugazy Travel Bureau, Inc. as of October 30, 1967	**—**	**—**	2,208,750	—
58,823 shares of common stock purchased by The Continental Insurance Company, Inc. on January 30, 1968	**—**	**—**	2,441,155	—
2,000 shares of common stock issued in settlement of certain obligations to a broker as of July 1, 1968	**103,000**	**—**	—	—
1,400 shares of common stock issued in purchase of Fohl Enterprises, Inc. on January 22, 1969	**62,650**	**—**	—	—
37,879 shares of common stock purchased by The Continental Insurance Company, Inc. on February 28, 1969 (Note 8)	**1,212,128**	**—**	—	—
116,877 shares of common stock issued in conversion of 5¾% Junior Subordinated Convertible Debenture on March 28, 1969	**2,383,123**	**—**	—	—
Excess of fair market value over cost of 38,200 shares of treasury stock issued in partial settlement of certain obligations as of September 30, 1968 (Note 6)	**1,432,882**	**—**	—	—
Excess of option price over par value of 4,916 and 2,759 shares of common stock, respectively, sold under stock option plan (Note 10)	**94,860**	**—**	48,255	—
	$33,160,677	**$5,337,961**	$25,233,705	$6,077,701
Deduct:				
Cash dividends—$.50 per share	**—**	**$1,004,970**	—	$ 911,305
Stock dividends—3%—57,356 and 51,209 (including cash paid in lieu of fractional shares—$22,687—1968) shares, respectively	**—**	**2,695,685**	—	1,309,314
	—	**$3,700,655**	—	$2,220,619
	$33,160,677	**$1,637,306**	$25,233,705	$3,857,082

See Notes to Consolidated Financial Statements

THE DINERS' CLUB, INC.
and Consolidated Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Principles Of Consolidation:

The consolidated financial statements include the accounts of all significant subsidiaries. Certain minor foreign subsidiaries which in the aggregate are not significant have not been consolidated. Foreign subsidiaries are included at standard rates of exchange. The figures for the year ended March 31, 1968 have been retroactively adjusted to include the consolidation of foreign subsidiaries. The Company adjusts its investment in consolidated subsidiaries to reflect the change in its equity in the net worth of each company. Certain figures for the year ended March 31, 1968 have been revised to reflect current classifications. All material intercompany transactions have been eliminated.

During the year the Company acquired four companies for an aggregate of 72,532 shares of common stock, of which 19,004 were treasury shares. These acquisitions were treated for accounting purposes as poolings of interests, and are included in the financial statements for 1969 and 1968.

The earnings of purchased companies are included from the date of acquisition (Note 5).

2. Notes And Accounts Receivable:

	March 31, 1969	March 31, 1968
Credit Card Division:		
Regular charge	$113,485,404	$ 88,006,902
Revolving and extended payment	32,981,508	28,083,271
	$146,466,912	$116,090,173
Travel Division	4,770,091	2,581,519
Collection Agencies Division	749,094	654,791
Foreign Subsidiaries	4,172,818	4,458,957
	$156,158,915	$123,785,440
Less allowance for doubtful accounts	6,804,099	5,525,331
	$149,354,816	$118,260,109

3. Investments And Advances:

	March 31, 1969	March 31, 1968
Investment in Reservations/World	$1,644,509	$383,345
Diners Club foreign franchisees:		
Investments	2,256,063	210,017
Advances	29,743	29,218
Other	565,931	77,328
	$4,496,246	$699,908

During the two years ended March 31, 1969, the Company invested in Reservations/World, a project for the development of an automated reservation system. The first stage of the system has essentially reached successful completion and is operational. Full completion of all stages of this project would require a substantial additional investment and the Company has decided not to make such additional investment. The Company is currently negotiating to sell the system and in the opinion of management, upon such sale, the unrecovered investment, if any, will not be material.

The Company has minority interests in the capital stock of a significant number of Diners Club foreign franchisees. At March 31, 1969, the Company's equity in net assets of these franchises and its other investments amounts to approximately $850,000.

4. Equipment And Leasehold Improvements:

The cost of equipment and leasehold improvements is depreciated or amortized over the estimated useful lives of the assets. The straight-line method is used.

The annual rates used are as follows:

Office equipment, furniture and fixtures	10–20%
Leasehold improvements	*
Automobiles	25%

* Leasehold improvements are written off over the remaining term of the lease or the life of the asset, whichever is shorter.

Expenditures for maintenance and repairs are deducted from income. Expenditures for major items are capitalized and written off by depreciation charges. Costs of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts in the year of sale or retirement; the gain or loss on disposal of assets is reflected in the statement of earnings.

5. Goodwill, Mailing Lists, Plates And Other Intangibles:

Under various expansion programs in prior years, the Company acquired goodwill, mailing lists, plates and other intangibles amounting to $4,363,000.

The restatement of the consolidated financial statements to reflect the inclusion of foreign subsidiaries (Note 1) has resulted in additional goodwill of $1,863,000.

During the current year, the Company continued its planned acquisitions in the collection agencies and travel businesses. The purchase price of these acquisitions, aggregating $3,925,000, exceeded the underlying net asset value by $2,227,000. In the preceding year, the Company made acquisitions in the collection agencies and travel businesses for $11,555,000 which exceeded the underlying net asset value by $6,159,000.

No amortization of the mailing lists, plates, goodwill and other intangibles is provided with the exception of approximately $2,400,000 applicable to the travel business, which is being amortized over a period not exceeding twenty years.

6. Deferred Charges And Other Assets:

The Company has entered into a twenty-five year lease commencing July 1970 with minimum annual rentals of $300,000 per year during the first seventeen years and $500,000 per year thereafter with the City of Long Beach, California to manage the tourist center to be created with the conversion of the former R.M.S. Queen Mary. The Company has incurred costs of $1,318,000, of which $1,258,000 was expended during the current fiscal period, relating to the conversion of the Queen Mary. The total estimated cost of the project is anticipated to be $7,600,000.

The Company has expanded existing automated operations and automated certain additional operations in order to utilize the capacities of new computers. Total costs of approximately $475,000, of which $75,000 was incurred in the current fiscal period, have been deferred. The Company is amortizing these costs over a three year period.

The Company has settled all contingent compensation due to the former stockholders of a business acquired in the preceding year by issuing 38,200 shares of treasury stock with an approximate market value of $1,770,000 and a payment of $430,000. These amounts are being amortized in accordance with a schedule based upon a percentage of travel agency franchise sales. In no event will this amortization be less than the equivalent of straight-line amortization over 15 years.

7. Income Taxes:

The Company has certain differences between income reported in the financial statements and taxable income. At March 31, 1969 and 1968 substantially all of the liability for income taxes was deferred.

Federal income tax assessments for the fiscal years ended March 31, 1962 through March 31, 1964 in the amount of $104,000 including interest, and California franchise tax assessments for the fiscal years ended March 31, 1959 through March 31, 1966 in the amount of $157,000 including interest, after applicable reduction for federal income taxes, have been paid by the Company for which no provision has been made. The Company has filed claims for refunds of such taxes and in the opinion of counsel, the Company has good and meritorious bases for such claims.

8. Long-Term Debt:

	March 31, 1969	March 31, 1968
5.125% Senior Note due in annual installments of $1,000,000 from October 1, 1971	$10,000,000	$10,000,000
5.25% Promissory Notes due in annual installments of $500,000 from April 1, 1968 (Note 13)	2,000,000	2,500,000
6% Senior Subordinated Convertible Debentures due in annual installments of $400,000 from October 1, 1978—convertible into common stock a $55.16 per share	5,000,000	—
6% Senior Subordinated Convertible Debentures due in annual installments of $100,000 from February 1, 1978—convertible into common stock at $46.88 per share	1,250,000	1,250,000
6% Junior Subordinated Convertible Debentures due in annual installments of $100,000 from February 1, 1978—convertible into common stock at $46.88 per share	1,250,000	1,250,000
6.75% Junior Subordinated Notes due October 15, 1968	—	2,500,000
6.50% Junior Subordinated Convertible Debentures due in annual installments of $100,000 from March 1, 1979— convertible into common stock at $40.79 per share	1,250,000	—
6% Senior Subordinated Convertible Debentures due in annual installments of $160,000 from April 1, 1978—convertible into common stock at $46.88 per share	2,000,000	2,000,000
6¼% Senior Subordinated Convertible Debentures due in annual installments of $200,000 from January 1, 1979—convertible into common stock at $52.13 per share	2,500,000	—
6% Junior Subordinated Convertible Debentures due in annual installments of $200,000 from July 1, 1978—convertible into common stock at $48.34 per share	2,500,000	—
5.875% Junior Subordinated Convertible Debentures—converted into 116,877 shares of common stock	—	2,500,000
Other Notes Payable	773,344	102,581
Total	$28,523,344	$22,102,581
Current Portion	850,019	3,027,581
Long-Term Debt	$27,673,325	$19,075,000

The terms of the note and debenture agreements include, among other provisions, limitations on the payment of cash dividends and purchases of the Company's common stock. At March 31, 1969, after consideration of the financing transactions detailed in Note 13, all earnings retained in the business were free of such limitations. The conversion prices reflected above are after adjustment for financing transactions after March 31, 1969 as detailed in Note 13.

The following is a summary of anticipated future payments of long term debt at March 31, 1969:

Year ending March 31:	
1970 (Note 13)	$ 2,350,019
1971	335,325
1972	1,029,000
1973	1,024,000
1974 and after	23,785,000
	$28,523,344

The sale of the 6.50% Junior Subordinated Debentures and 37,879 shares of common stock to The Continental Insurance Company is subject to ratification by shareholders.

9. Minority Interests:

Minority interests in foreign majority-owned consolidated subsidiary companies are as follows:

	March 31, 1969	March 31, 1968
Common stock	$520,000	$360,000
Additional paid-in capital	821	821
Earnings retained in the business	159,355	174,624
	$680,176	$535,445

10. Stock Options:

In 1962, the shareholders approved an Amended Restricted Stock Option Plan under which officers and key employees received options at prices not less than 95% of the fair market price at date of grant. The remaining unexercised options granted are exercisable over a period of five years as follows: (1) 40% two years after grant; (2) 30% three years after grant; and (3) 30% four years after grant. Such plan was terminated on May 15, 1968.

On June 27, 1968, the shareholders approved a Qualified Stock Option Plan authorizing the granting, to officers and key employees of the Company, of options to purchase 100,000 shares of common stock at not less than 100% of fair market value of the stock on the date options are granted. The options will become exercisable two years after date of grant and expire five years after date of grant.

Information relative to these plans is summarized below:

Options outstanding at March 31, 1969, of which 6701 shares are exercisable:

Year of Grant March 31,	No. of Shares	Option Prices		Market Price at Date of Grant	
		Per Share	Total	Per Share	Total
1966	983	$18.08	$ 17,773	$18.08	$ 17,773
1967	6,701	19.91–25.05	146,051	19.91–25.05	146,051
1969	82,000	31.00–55.00	4,226,750	31.00–55.00	4,226,750
	89,684		$4,390,574		$4,390,574

THE DINERS' CLUB, INC.
and Consolidated Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Options that became exercisable:

Year Ended March 31,				Market Price on Date First Exercisable	
				Per Share	Total
1967.....	1,640	$17.74	$ 29,094	$16.25	$ 26,650
1968.....	2,759	18.38–18.62	51,014	26.00–27.75	73,962
1969.....	11,617	17.84–25.05	245,864	46.63–56.75	564,310
	16,016		$ 325,972		$664,922

Options exercised:

Year Ended March 31,				Market Price on Date Exercised	
				Per Share	Total
1967.....	1,640	$17.74	$ 29,094	$24.38	$ 39,975
1968.....	2,759	18.38–18.62	51,014	37.75–38.00	104,524
1969.....	4,916	17.84–25.05	99,778	48.13–56.25	257,660
	9,315		$ 179,886		$ 402,159

During the year ended March 31, 1969, 17,250 options were cancelled. As at March 31, 1969 there were 18,000 shares available for future grants.

Under the option plan no amounts are chargeable to income.

11. Commitments And Contingent Liabilities:

The Company's subsidiary, DQM Corporation, is the master lessee from the City of Long Beach, California, of certain portions of the former passenger steamship Queen Mary, now permanently berthed in Long Beach, such portions to be used for the operation of hotel, convention and other commercial facilities. Two lawsuits are pending against the Company, DQM Corporation, the Company's subsidiary, Diners/Fugazy Travel, Inc., and certain other defendants, arising out of the subleasing by DQM of hotel and certain restaurant facilities on the ship to Sky Chefs, Inc., a subsidiary of American Airlines, Inc. The plaintiff in the lawsuits, Wrather Corporation, asserts that except for the wrongful acts of the defendants, including American Airlines, Inc. and Sky Chefs, Inc., the sublease of such facilities would have been made to Wrather Corporation. The complaints allege among other things that the defendants, in violation of the Sherman and Clayton Anti-trust Acts, and otherwise wrongfully, "persuaded, induced and caused" the Company and DQM to terminate discussions with Wrather Corporation with respect to the sublease and to enter into such sublease with Sky Chefs. The damages claimed are three times Wrather Corporation's alleged loss of profits, or an aggregate of $81,675,000. The management of the Company believes that there is no merit to these lawsuits and that no material liability of the Company or its subsidiaries should result therefrom. Similarly, counsel representing the Company and its subsidiaries in the litigations has expressed its opinion that the Company and its subsidiaries have good defenses to the claims made against them and that no material liability on the part of the Company or its subsidiaries should result.

A lawsuit is pending against Diners Financial Corporation and others, pertaining to a transaction of this subsidiary prior to its acquisition by the Company. The complaint demands damages against all of the defendants in the amount of $1,500,000. The trial of the action was completed in May, 1969 and resulted in a jury verdict in favor of the plaintiff in the amount of $850,000. There are presently pending before the trial court motions to dismiss the action and to set aside the verdict. In the opinion of counsel representing the Company's subsidiary, there are good and meritorious bases for these motions, and also for an appeal of the verdict, if that should be required. Accordingly, no provision has been made for this adverse verdict.

The Company is guarantor for credit facilities extended to its consolidated foreign subsidiaries of approximately $650,000. The utilized facilities have all been included in the consolidated financial statements. In addition, the Company is guarantor for credit facilities extended to a minority-owned subsidiary of approximately $500,000.

The Company may be required to pay additional consideration relative to its acquisition of collection agencies. This additional consideration, not exceeding $626,300, is dependent upon future earnings.

The Company may be required to issue additional shares of its common stock as additional consideration relative to the acquisition of certain subsidiaries. The number of additional shares, not exceeding 40,917 shares, is dependent upon future events.

The Company is lessee under 215 leases expiring from 1969 to 1984 with annual rental of approximately $2,250,000, exclusive of the lease referred to in Note 6.

12. Supplementary Profit And Loss Information:

	March 31, 1969	March 31, 1968
Maintenance and repairs.....	$ 255,000	$ 185,000
Depreciation and amortization of equipment and leasehold improvements...	$ 800,000	$ 537,000
Amortization of goodwill.....	$ 120,000	$ 10,000
Taxes other than income taxes:		
Payroll	$ 925,000	$ 580,000
Other taxes	150,000	100,000
	$1,075,000	$ 680,000
Rent	$2,320,000	$1,415,000
Management fees	$ —	$ —

All amounts are charged to operating expenses.

13. **Post Balance Sheet Events:**

Since March 31, 1969 the Company has sold to The Continental Insurance Company the following:

7% Senior Subordinated Convertible Debentures due in annual installments of $100,000 from May 1, 1979–convertible into common stock at $34.62.....	$ 1,250,000
7% Senior Subordinated Convertible Debentures due in annual installments of $100,000 from May 1, 1979–convertible into common stock at $35.20.....	1,250,000
7½% Junior Subordinated Convertible Debentures due in annual installments of $100,000 from May 1, 1979–convertible into common stock at $33.14....	1,250,000
7½% Junior Subordinated Convertible Debentures due in annual installments of $100,000 from May 1, 1979–convertible into common stock at $33.60....	1,250,000
	$ 5,000,000
181,819 shares of common stock at $27.50 per share	5,000,023
	$10,000,023

The sale of the aforementioned debentures and common stock is subject to ratification by shareholders.

In connection with certain amendments to its long-term debt agreements, the Company prepaid, without penalty, the 5.25% Promissory Notes, in April, 1969.

The Company, a director of the Company and Military Purchase System, Inc., a non-affiliated corporation, entered into an agreement, as of April 1, 1969 with respect to the financing and operation of inter-Service Club Card, Inc., for the purpose of operating a world-wide credit card charge and billing program for United States armed forces military clubs. The Company will provide servicing and processing for the proposed program, at cost, and would be committed to provide up to $8,000,000 of the financing requirements in connection with the accounts receivable generated by the program.

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

TOUCHE, ROSS, BAILEY & SMART

80 Pine Street
New York, New York
June 6, 1969

To the Board of Directors and Shareholders of
The Diners' Club, Inc.

We have examined the accompanying consolidated balance sheets of The Diners' Club, Inc. and consolidated subsidiaries as of March 31, 1969 and 1968 and the related consolidated statements of net earnings, additional paid-in capital and earnings retained in the business for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As explained in Note 3, the Company has invested $1,644,509 in Reservations/World, a project for the development of an automated reservation system, the recovery of which is dependent upon the sale of the system; the Company is presently negotiating such a sale. While we have no reason to believe that the Company will not be successful in the recovery of its investment we are not in a position to determine whether a sale will occur or the amount to be realized.

In our opinion, subject to the recovery of the investment in Reservations/World discussed in the preceding paragraph and subject to the outcome of the litigations referred to in Note 11, the financial statements referred to above present fairly the consolidated financial position of The Diners' Club, Inc. and consolidated subsidiaries at March 31, 1969 and 1968, and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis, 1968 as restated (Note 1).

Touche, Ross, Bailey & Smart

Certified Public Accountants

THE DINERS' CLUB, INC. and Consolidated Subsidiaries

FIVE YEAR SUMMARY OF EARNINGS (Dollar amounts in thousands except earnings per share)(a)

Year Ended March 31:	1969	1968	1967	1966	1965
Credit Card Volume:					
United States and Canada	$528,955	$430,938	$359,774	$278,752	$210,651
Foreign Subsidiaries	30,596	23,663	17,625	11,161	9,373
Total	559,551	454,601	377,399	289,913	220,024
Revenues from Credit Card Operations	49,951	42,600	35,615	27,697	22,000
Revenues from Other Operations	17,772	7,889	1,293	857	713
Total Revenues	67,723	50,489	36,908	28,554	22,713
Operating Expenses	65,424	45,514	32,628	24,298	18,118
Earnings before Income Taxes	2,299	4,975	4,280	4,256	4,595
Earnings before Extraordinary Items	914	2,445	1,927	2,117	2,205(b)
Extraordinary Items	567	—	—	—	—
Net Earnings	1,481	2,445	1,927	2,117	2,205(b)
Earnings Per Share(c):					
Before Extraordinary Items	$.44	$1.25	$1.00	$1.10	$1.15
Extraordinary Items	.27	—	—	—	—
Net Earnings	.71	1.25	1.00	1.10	1.15

(a) 1968 and prior year's figures have been restated to reflect companies acquired on a pooling of interests basis and consolidation of foreign subsidiaries as described in Note 1.

(b) Excludes $327,472 write-off of goodwill related to factoring and financing operations charged to earnings retained in the business.

(c) Based on average outstanding shares: 2,084,949—1969, 1,954,467—1968, and 1,920,922—1967 and prior years.

CONSOLIDATED STATEMENT OF WORKING FUNDS (Dollar amounts in thousands)

	Year Ended March 31,	
	1969	1968
WORKING FUNDS PROVIDED BY:		
Net earnings for the year	$ 1,481	$2,444
Net increase in long-term debt	11,098	3,138
Provisions not requiring working funds:		
Amortization of deferred charges and goodwill	595	638
Depreciation and amortization of leasehold improvements	799	537
Sale of common stock:		
Sale of shares to The Continental Insurance Company	1,250	2,500
Issuance of shares under stock option plan	100	51
Other	145	(24)
TOTAL WORKING FUNDS PROVIDED	$15,468	$9,284
WORKING FUNDS EXPENDED FOR:		
Cash dividends	$ 1,005	$ 934
Equipment and leasehold improvements—net	1,426	1,519
Acquisition of subsidiaries—net of working funds	7,053	3,626
Costs related to the conversion of the Queen Mary	1,258	60
Deferred charges relating to future years	1,242	523
Investments in and advances to franchises and unconsolidated foreign subsidiaries	2,535	190
Investment in Reservations/World	1,261	383
TOTAL WORKING FUNDS EXPENDED	$10,780	$7,235
NET INCREASE IN WORKING FUNDS	$ 4,688	$2,049

Certified Public Accountants
Touche, Ross, Bailey & Smart, New York, N. Y.

Counsel
Botein, Hays, Sklar & Herzberg, New York, N. Y.

Transfer Agent
The Chase Manhattan Bank, New York, N. Y.

Registrar
Manufacturers Hanover Trust Company, New York, N. Y.

Tr Exh 34 A-755 (Conformed Copy)

PLAINTIFFS' EXHIBIT 34

EMPLOYMENT AGREEMENT

Employment Agreement dated the 10th day of October, 1967, by and between FUGAZY TRAVEL BUREAU, INC. (Delaware) (hereinafter called "DFT"), a wholly-owned subsidiary of The Diners' Club, Inc. (hereinafter called "Diners") and LOUIS V. FUGAZY (hereinafter called the "Employer")

DFT is acquiring the assets and business of Fugazy Travel Bureau, Inc., a New York corporation (hereinafter referred to as "Fugazy"). Employee has for many years been a key executive employee of Fugazy and DFT wishes to retain the benefit of Employee's services.

Simultaneously herewith William D. Fugazy and Otto Marx, Jr. (hereinafter called "Other Employees") are also entering into employment agreements with DFT.

The parties hereto agree as follows:

1. DFT hereby employs the Employee, and the Employee hereby accepts such employment, to serve in an executive capacity for DFT for a period commencing on the Effective Date, as hereinafter defined, and continuing thereafter for three years from such date (such three year period being hereinafter called the "Initial Employment Period"), subject to renewal, at the option of DFT, for two additional one year periods, by notice to Employee within thirty (30) days prior to the expiration of the Initial Employment Period, or any such one year renewal period, and to further renewal from time to time thereafter for such period or periods (which may be at the pleasure of its Board of Directors) as may be mutually agreed upon by DFT and Employee, not to exceed in the aggregate an additional ten (10) years (all renewal periods referred to in this Section 1 up to an aggregate of twelve (12) years being hereinafter collectively called the "Additional Employment Period") and to devote his full time to the business and affairs of DFT with such duties as may be

assigned to him from time to time by the Board of Directors of DFT or Diners. The Employee agrees to serve as an officer or director of DFT or of Diners if requested to do so.

2. In full consideration of the performance of these services and of the other covenants and agreements of the Employee hereunder, DFT will pay to him compensation at the rates and subject to the limitations specified below:

(a) Fixed compensation (i) at the rate of $35,000 per annum for the Initial Employment Period and for each year in which Employee's employment is renewed thereafter, as provided in Section 1, up to a maximum of two (2) years, payable in equal monthly installments, part of which is intended to cover the expenses (in addition to those expenses which are incurred at the specific request of DFT and which shall be reimbursed by DFT) which it is contemplated that the Employee will meet in the performance of his services hereunder, and (ii) at such rate after the expiration of five (5) years from the Effective Date as may be agreed upon by DFT and Employee from time to time for each such additional period or periods.

(b) Percentage compensation for each fiscal year of DFT or shorter period during the fifteen (15) year period (subject to earlier termination as hereinafter provided) commencing as of the Effective Date, at the rate of (i) 10% of the initial franchise fees received by DFT from the grant of new franchises during each such fiscal year or shorter period or (ii) 8 1/3% of the net profits of DFT for said fiscal year or shorter period, whichever is greater.

Percentage compensation shall be paid as follows subject to the limitations specified below: within fifteen (15) days after the end of each two-month period during each fiscal year or shorter period with respect to which such Percentage Compensation is payable hereunder, DFT shall pay to Employee 10% of the initial franchise fees received by DFT from the grant of new franchises

during such two-month period; and within sixty (60) days after the end of each fiscal year, DFT shall pay to Employee the amount, if any, by which the total percentage compensation payable with respect to such fiscal year exceeds the aggregate amount theretofore paid to Employee for such fiscal year.

Such percentage compensation shall be subject to an aggregate dollar limitation of $1,250,000 and, in addition, to a periodic dollar limitation of $125,000 for each fiscal year of DFT, and a pro rata portion thereof for each shorter period with respect to which such percentage compensation is payable. Subject to the aggregate dollar limitation hereinafter referred to, if the percentage compensation computed as provided above for any applicable period exceeds the periodic dollar limitation for such period, the excess will be paid in the succeeding fiscal year or years until the whole thereof has been paid, provided that the total amount of percentage compensation payable for any such succeeding fiscal year shall not exceed the $125,000 dollar limitation applicable to a fiscal year.

3. For purposes of Section 2:

(a) Initial franchise fees shall mean the initial cash payment received by DFT from any party receiving a franchise from DFT to operate a travel agency under the

Fugazy name, as consitleration for the granting of such a franchise. It is understood that the initial cash consideration to be required of each new franchise shall be $25,000, which amount may be changed from time to time by DFT but in no event shall the initial franchise fee, for purposes of this subparagraph (a), be less than $18,750. Anything herein contained to the contrary notwithstanding, DFT shall have the absolute and unreviewable discretion in the selection and approval of new franchisees and nothing herein contained shall in any way limit or restrict DFT's discretion in such matters, including its right, if it so desires, not to grant any additional franchises.

(b) The net earnings of DFT for any fiscal year or portion thereof shall be the net earnings of DFT for such year, or the pro rata amount of such earnings attributable to such shorter period computed without any deduction for percentage compensation paid to the Employee under this Agreement or to the Other Employees under their employment agreements hereinabove referred to and after provision for federal and state income taxes thereon (without

giving effect to any surtax exemption) determined in accordance with generally accepted accounting principles applied on a consistent basis, provided, however, that in the event DFT shall completely withdraw from the business of selling franchises, the earnings attributable to any period subsequent to DFT's withdrawal from such business shall be computed without any deduction for the amortization of good will recorded on the books of DFT in connection with the acquisition of the business and assets being purchased from Fugazy.

(c) It is understood that the net earnings of DFT shall be based solely on the income earned or attributed to the assets and business acquired from Fugazy and retained by DFT, Diners or an affiliated company. If such business is operated as a corporate division, whether because of a merger or consolidation with or into Diners or a subsidiary of Diners, or for any other reason, then the net earnings shall be computed on the basis of the earnings with the adjustments specified above attributable (after proper allocation of income and expenses to the assets and business purchased pursuant to the Purchase Agreement.

(d) The independent accounting firm employed by DFT as its auditors shall make all computations with respect to the amount of percentage compensation payable hereunder for each fiscal year of DFT and such computations, including any allocation of income and expense which may be necessary under paragraph (c) above.

4. (a) DFT may terminate this agreement and Employee's employment hereunder including his employment as a consultant as hereinafter provided, at any time, upon thirty (30) days prior written notice to Employee, upon Employee's failure or refusal to perform any of the duties and obligations to be performed by him hereunder, or upon any material breach or material default by him of any obligation to be performed by him under or pursuant to any other agreement with DFT or any agreement with Diners, or for any other valid cause. Such notice shall set forth any grounds then known to DFT for such dismissal. Upon such termination DFT shall be relieved of all further obligations hereunder except for the obligation to account to Employee for any amounts due him under this agreement prior to such termination.

(b) Unless terminated earlier under Section 4(a) above, Employee's employment as a full time employee under Section 1 hereof shall terminate at the expiration of the Initial Employment Period (unless continued for the Additional Employment Period as provided for in Section 1 herein) or at the termination of the Additional Employment Period. Except as otherwise provided in Section 4(a) herein, the termination of Employee's employment under this subsection (b) shall not affect his right to receive percentage compensation at the same rate and on the same terms and conditions specified herein. Upon such termination and for so long as he is entitled to such percentage compensation, he shall thereafter serve DFT as a consultant as provided in, and subject to the terms and conditions of, Section 5

(c) In the event that the Employee dies while still in the employ of DFT or while still entitled to percentage compensation, the percentage compensation otherwise payable to him shall be continued to be paid to his estate at the same rate and on the same terms and conditions specified herein.

5. DFT will be entitled to set off and deduct from the percentage compensation payable to the Employee hereunder any amounts due or payable to DFT by the Employee whether under this agreement, any other agreement with DFT or Diners, or otherwise.

6. (a) In consideration of the execution by DFT of this Employment Agreement, theEmployee agrees that for the period set forth in paragraph (b) below, he will not, in any manner, directly or indirectly, engage in the business of providing travel or related services, or licensing or franchising others to provide such services or in any business which competes with any of the fields in which Fugazy is presently engaged and he will not directly or indirectly own, manage, operate, join, control or participate in the ownership, management, operation or control of or be employed by or connected in any manner with, any corporation, firm or business that is so engaged without DFT's prior written consent. For the purpose of the foregoing, Travelco, Inc. (Pa.) and Travelco, Inc. (N.Y.) shall be deemed engaged in the travel business.

(b) The period of Non-Competition referred to in this Section 6 shall commence on the Effective Date and shall terminate (i) in the event this Agreement is terminated under Section 4(a), one (1) year after such termination; and (ii) in the event Employee's employment as a full time employee is terminated under Section 4(b), one year after such termination if DFT elects not to employ Employee as a consultant as hereinafter provided; and otherwise upon the expiration of the Consultative Period, as hereinafter defined.

(c) If Employee's employment as a full time employee is terminated under Section 4(b) while he is or may be entitled to receive percentage compensation hereunder, Employee

the termination of such full-time employment and subject to earlier termination as hereinafter provided continuing for so long as Employee is or may be entitled to percentage compensation hereunder, unless DFT, prior to the thirtieth day after Employee's employment as a full-time employee is terminated, notifies Employee of its intention not to so employ him as a consultant. Employee's employment as a consultant may be terminated thereafter at any anniversary of his employment as a consultant upon thirty (30) days notice. For such consultative services Employee shall be paid a consultant's fee , payable monthly, at the rate of $35,000 per annum, for services rendered prior to the expiration of five (5) years from the Effective Date and at the rate of $10,000 per annum for services rendered thereafter. Employee agrees that he will accept such employment as a consultant as herein provided and agrees to devote such time and efforts in a consultative capacity to the business and affairs of DFT as DFT may reasonably require. The period or aggregate periods during which DFT shall employ Employee as a consultant hereunder is referred to herein as the "Consultative Period".

7. Except as DFT may have otherwise specifically agreed to in writing, DFT will, upon the acquisition of the business and assets of Fugazy have, and shall thereafter continue to have, an exclusive right to use the name FUGAZY TRAVEL BUREAU, INC. or any derivation thereof as its corporate name

and title and the sole right to use the tradenames "FUGAZY" and "FUGAZY TRAVEL BUREAU" and all of the trademarks, copyrights, heralds, insignias, service marks and trade signs or styles formerly owned by FUGAZY TRAVEL BUREAU, INC. and identified with FUGAZY TRAVEL BUREAU, INC. and the conduct of its business. The Employee acknowledges the exclusive rights of DFT as aforesaid and its rights with respect thereto shall not be affected by the termination of this agreement, Employee's employment hereunder or any other relationship between DFT and Employee. The Employee agrees for himself, his successors and assigns that for 15 years commencing on the Effective Date he and they will not directly or indirectly, whether through members of their families or otherwise, use or permit the use of his own name in connection with or as part of any trademark or trade style or in any other manner to be associated or identified with, any corporation, firm or other business organization, which is engaged in a business similar in any respect to the businesses conducted by DFT during such period. Employee agrees that the remedy at law for breach by him of any of his covenants contained in Section 6 or this Section 7, shall be inadequate and that DFT shall be entitled to injunctive relief. Such covenants shall be independent and separable covenants which shall be enforceable notwithstanding any rights or remedies that Employee may have under any other provision of this or any other agreement.

8. This agreement shall be binding upon and inure to the benefit of the parties hereto and any successors to the business of DFT but neither this agreement nor any rights hereunder may be assigned, pledged or encumbered by Employee without the written consent of DFT. This agreement shall become effective on the date (herein called the "Effective Date") of the acquisition of substantially all the assets and business of FUGAZY by DFT, and in the event DFT does not so acquire the business and assets of FUGACY, this Agreement shall be of no force and effect.

9. This agreement shall be construed and governed in accordance with the laws of the State of New York.

10. Any notice hereunder shall be in writing and shall be delivered personally or by certified mail, return receipt requested, to the respective parties at the respective address of each herein set forth, or to such other address as either party may designate by a notice pursuant hereto:

If to DFT:

c/o The Diners' Club, Inc.
10 Columbus Circle
New York, New York 10036

Attn: Mr. Thomas A. Hays,
Executive Vice President

If to Employee:

as 455 Madison Avenue
New York, N.Y.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

FUGAZY TRAVEL BUREAU, INC. (Delaware)

By /s/ THOMAS A. HAYS
Vice President

/s/ LOUIS V. FUGAZY
Employee

T36

PLAINTIFFS' EXHIBIT 36

EMPLOYMENT AGREEMENT

Employment Agreement dated the 10th day of October, 1967, by and between FUGAZY TRAVEL BUREAU, INC. (Delaware) (hereinafter called "DFT"), a wholly-owned subsidiary of The Diners' Club, Inc. (hereinafter called "Diners") and OTTO MARX, JR. (hereinafter called the "Employee").

DFT is acquiring these assets and business of Fugazy Travel Bureau, Inc., a New York corporation (hereinafter referred to as "Fugazy"). Employee has for many years been a key executive employee of Fugazy and DFT wishes to retain the benefit of Employee's services.

Simultaneously herewith William D. Fugazy and Louis V. Fugazy (hereinafter called "Other Employees") are also entering into employment agreements with DFT.

The parties hereto agree as follows:

1. DFT hereby employs the Employee, and the Employee hereby accepts such employment, to serve as a consultant for DFT for a period (hereinafter called the "Employment Period") commencing on the date as of which DFT shall have acquired the business and assets of Fugazy and, except as provided in Section 4 hereof, terminating no later than fifteen (15) years from such date, to serve at the pleasure of the Board of Directors, to perform such consultative services and to devote such time to the business and affairs assigned to him by the Boards of Directors of DFT or Diners. The Employee agrees to serve as a director and officer of DFT or of Diners, if requested to do so.

2. In full consideration of the performance of these services and of the other covenants and agreements of the Employee hereunder, DFT will pay to him compensation during the Employment Period at the rates and subject to the limitations specified below.

(a) A salary at the rate of $6,000 a year, payable in equal monthly installments, or at such other rate as may be agreed upon by DFT and Employee from time to time, for so long as Employee's employment continues hereunder.

(b) Percentage compensation for each fiscal year of DFT or shorter period during the Employment Period at the rate of (i) 20% of the initial franchise fees received by DFT from the grant of new franchises during each such fiscal year or shorter period or (ii) 16-2/3% of the net profits of DFT for said fiscal year or shorter period, whichever is greater.

Percentage compensation shall be paid as follows subject to the limitations specified below: within fifteen (15) days after the end of each two-month period during the Employment Period hereunder, DFT shall pay to Employee 20% of the initial franchise fees received by DFT from the grant of new franchises during such two-month period; and within sixty (60) days after the end of each fiscal year, DFT shall pay to Employee the amount, if any, by which the total percentage compensation payable with respect to such fiscal year exceeds the aggregate amount theretofore paid to Employee for such fiscal year.

Such percentage compensation shall be subject to an aggregate dollar limitation of $2,500,000 and, in addition to a periodic dollar limitation of $250,000 for each fiscal year of DFT, and a pro rata portion thereof for each shorter

period with respect to which such percentage compensation is payable. Subject to the aggregate dollar limitation hereinafter referred to, if the percentage compensation computed as provided above for any applicable period exceeds the periodic dollar limitation for such period, the excess will be paid in the succeeding period or periods until the whole thereof has been paid, provided that the total amount of percentage compensation payable for any such succeeding period or periods shall not exceed the periodic dollar limitation applicable thereto.

3. For purposes of Section 2:

(a) Initial franchise fees shall mean the initial cash payment received by DFT from any party receiving a franchise from DFT to operate a travel agency under the Fugazy name, as consideration for the granting of such a franchise. It is understood that the initial cash consideration to be required of each new franchisee shall be $25,000, which amount may be changed from time to time by DFT but in no event shall the initial franchise fee, for purposes of this subparagraph (a), be less than $18,750. Anything herein contained to the contrary notwithstanding, DFT shall have the absolute and unreviewable discretion in the selection and approval of new franchisees and nothing herein contained shall in any way limit or restrict DFT's discretion in such matters, including the right, if it so desires, not to grant any additional franchises.

(b) The net earnings of DFT for any fiscal year or portion thereof shall be the net earnings of DFT for such year, or the pro rata amount of such earnings attributable to such shorter period computed without any deduction for percentage compensation paid to the Employee under this Agreement or to the Other Employees under their employment agreements hereinabove referred to and after provision for federal and state income taxes thereon (without

giving effect to any surtax exemption) determined in accordance with generally accepted accounting principles applied on a consistent basis, provided, however, that in the event DFT shall completely withdraw from the business of selling franchises, the earnings attributable to any period subsequent to DFT's withdrawal from such business shall be computed without any deduction for the amortization of good will recorded on the books of DFT in connection with the acquisition of the business and assets being purchased from Fugazy.

(c) It is understood that the net earnings of DFT shall be based solely on the income earned or attributed to the assets and business acquired from Fugazy and retained by DFT, Diners or an affiliated company. If such business is operated as a corporate division, whether because of a merger or consolidation with or into Diners or a subsidiary of Diners, or for any other reason, then the net earnings shall be computed on the basis of the earnings with the adjustments specified above attributable (after proper allocation of income and expenses) to the assets and business purchased pursuant to the Purchase Agreement.

(d) The independent accounting firm employed by DFT as its auditors shall make all computations with respect to the amount of percentage compensation payable hereunder for each fiscal year of DFT and such computations, including any allocation of income and expense which may be necessary under paragraph (c) above.

4. (a) DFT may terminate this agreement and Employee's employment hereunder, at any time, upon written notice to Employee upon Employee's failure or refusal to perform any of the duties and obligations to be performed by him hereunder or upon any material breach or material default by him of any obligation to be performed by him under or pursuant to any other agreement with DFT or Diners or for any other valid cause. Such notice shall set forth any grounds then known to DFT for such dismissal. Upon such termination DFT shall be relieved of all further obligations hereunder except for the obligation to account to Employee for any amounts due him under this agreement prior to such termination.

(b) DFT may also terminate Employee's employment at any time without cause upon 30 days prior written notice to Employee provided that in the event of such termination, Employee shall continue to be entitled to receive percentage compensation (but not the fixed compensation specified in Section 2 (a)) at the same rate and on the same terms and conditions specified herein.

(c) In the event that the Employee dies while still in the employ of DFT or while still entitled to percentage compensation under subparagraph (b) above, the percentage compensation otherwise payable to him shall be continued to be paid to his estate at the same rate and on the same terms and conditions specified herein.

5. DFT will be entitled to set off and deduct from amounts payable to the Employee hereunder any amounts due or payable to DFT by the Employee whether under this agreement, any agreement with DFT or Diners or otherwise.

6. In consideration of the execution by DFT of this Employment Agreement, the Employee agrees that for a period commencing on the date of his employment hereunder and terminating either fifteen (15) years from the date or five (5) years after Employee ceases to be an employee of DFT, whichever be later, he will not, in any manner, directly or indirectly, engage in the business of providing travel or related services (but including the leasing, management or ownership of hotels or similar establishments), or licensing or franchising others to provide such services or in any business which competes with any of the fields in which Fugazy is presently engaged and he will not directly or indirectly own, manage, operate, join, control or participate in the ownership, management, operation or control of or be employed by or connected in any manner with, any corporation, firm or business that is so engaged without DFT's prior written consent. For the purposes of the foregoing, TRAVELCO, INC. (Pa.) and TRAVELCO, INC. (NY) shall be deemed engaged in the travel business.

7. Except as DFT may have otherwise specifically agreed to in writing, DFT will, upon the acquisition of the business and assets of Fugazy have, and shall thereafter continue to have, an exclusive right to use the name FUGAZY TRAVEL BUREAU, INC. or any derivation thereof as its corporate name

and title and the sole right to use the tradenames "FUGAZY" and "FUGAZY TRAVEL BUREAU" and all of the trademarks, copyrights, heralds, insignias, service marks and trade signs or styles formerly owned by FUGAZY TRAVEL BUREAU, INC. and identified with FUGAZY TRAVEL BUREAU, INC. and the conduct of its business. The Employee acknowledges the exclusive rights of DFT as aforesaid and its rights with respect thereto shall not be affected by the termination of this agreement, Employee's employment hereunder or any other relationship between DFT and Employee. The Employee agrees for himself, his successors and assigns that during the period referred to in Section 6, he and they will not directly or indirectly, whether through members of their families or otherwise, use or permit the use of his own name in connection with or as part of any trademark or trade style or in any other manner to be associated or identified with, any corporation, firm or other business organization, which is engaged in a business similar in any respect to the businesses conducted by DFT during such period. Employee agrees that the remedy at law for breach by him of any of his covenants contained in Section 6 or this Section 7, shall be inadequate and that DFT shall be entitled to injunctive relief. Such covenants shall be independent and separable covenants which shall be enforceable notwithstanding any rights or remedies that Employee may have under any other provision of this or any other agreement.

8. This agreement shall be binding upon and inure to the benefit of the parties hereto and any successors to the business of DFT but neither this agreement nor any rights hereunder may be assigned, pledged or encumbered by Employee without the written consent of DFT. In the event DFT does not acquire the business and assets of Fugazy, this Agreement shall be of no force and effect.

This agreement shall be construed and governed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

FUGAZY TRAVEL BUREAU INC. (Delaware)

By _____
Vice President

_____
Employee

A-773
PLAINTIFFS' EXHIBIT 39

T 39

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

October 16, 1969

Mr. Alfred S. Bloomingdale
Chairman of the Board
The Diners' Club, Inc.
10 Columbus Circle
New York, New York 10019

RE: The Diners' Club, Inc.
File No. 2-34442
Form S-1
Filed - August 28, 1969

Dear Mr. Bloomingdale:

We have the following comments on the above registration statement. It is noted that certain information is to be filed by amendment.

Prospectus

Cover Page

It is assumed that the information describing the restrictions on sale and the escrow arrangement relating to those 8,365 shares of common stock will be appropriately revised.

Reference is made to item No. 4 of Securities Act Release No. 4936, in view of the fourth sentence of the first paragraph, please furnish as supplemental information the basis for the registration of such securities.

Credit Card Division - Pages 7-10

In connection with the table in the fourth paragraph on page 7, show the number of cardholders in the United States and Canada and the number of cardholders dropped and/or cancelled for each country respectively.

Please reconcile by supplemental information the figures which are included in the second fullpparagraph on page 8 with the consolidated statement of net earnings. Upon receipt of such information we may have additional comments. The volume of charges by cardholders in the United States and Canada should be shown separately.

PLF's Asst. ... 47 FOR IDENT.
... BOOK
... 5/17/71

Those operations of the company described herein which do not contribute substantially to the over all credit card division revenues should be sodidentified.

Travel Division - Pages 10-12

In connection with the franchise program described in the second paratraph on page 10, please furnish as supplemental information the cost of the initial franchise fee and the amount of the continuing percentage of gross sales.

Those operations of the company described herein which do not contribute substantially to the over all revenues of the LTravel Division should be sodidentified.

Competition - Pages 14 and 15

Please furnish as supplemental information the name of the two other credit card operations comparable with that of the Diners Club.

Description of Capital Stock - Pages 16 and 17
Market Prices

Market prices should be updated to the latest practicable date.

Dividends

There should be included herein an appropriate cross-reference to the "restrictions on the payment of dividends" described elsewhere in the prospectus.

Principal Shareholders - Pages 17 and 18

Since the information contained in the footnotes is of material importance, expecially footnote 2, it should be set in regular size type.

Fugazy Continental, Inc. of New York - Page 25

It appears the clause "a non-affiliated corporation" in the first line herein is inappropriate in view of the affiliation and should be revised.

The Continental Insurance Company - Pages 26-30

In connection with the transactions described herein, there should be a brief summary included herein giving the following:

(a) The number of shares purchased outright by Continental and average price per share;

(b) The number of shares purchased by Continental pursuant to convertible features in the loan agreement and average price per share; and

(c) The total amount of loans outstanding with convertible features, the shares that could be received by Continental and average conversion price per share.

The investment banking firms that assisted the registrant in its financing transactions should be identified and consent should be furnished for the use of their name with the next amendment.

The last sentence of subparagraph (c) on page 30 should be clarified.

Inter-Service Club Card, Inc. - Page 31

The clause "non-affiliated corporation" appears to be inappropriate in the first sentence and be appropriately revised.

Pending Legal Proceedings - Pages 31 and 32

In connection with the suits discussed herein, you are requested to furnish as supplemental information copies of the complaint, answers, judgments and appeals, upon review of such information we may have additional information

Counsel rendering opinions herein should be named and a consent for the use of their name should be furnished with the next amendment.

Selling Shareholders - Pages 32 and 33

All of the stockholders of F.T. Ventures, Inc. and Jolin, Inc. should be identified along with this proportinate interest in those companies.

It is assumed that the information describing the restrictions and on sale and the escrow arrangemts will be appropriately revised.

The selling stockholders should be made aware of item 53 of Securities Act Release No. 4936. The representations required by item 43 of the above release should be furnished.

Part II

Item 25

Specific reference should be made to those transaction which constitute Sales to Special Parties.

Item 26

The information hereunder should be revised to specifically name the persons to whom the securities were issued (or principals of any business named herein) and describing briefly the facts relied upon to make the claimed exemption from registration available.

Undertakings

The registration statement should include undertakings that:

(a) any proppectus required by Section 10(a)(3) of the Securities Act of 1933 will be filed by post-effective amendment to the registration statement, and will not be issued until declared effective by the Commission,

(b) for the purposes of determining any liability under the Act each post-effective amendment may be deemed to be a new registration statement relating to the securities covered thereby and the offering of such securities by such post-effective amendment may be deemed to be the bona fide public offering thereof, and

(c) any post-effective amendmt filed will compby with the applicable forms, rules, and regulations of the Commission in effect at the time such post-effective amendment is filed.

General

Your attention is directed to paragraphs 1, 2, 7, 8, 9 and 10 of the enclosed memorandum.

Additional comments will be furnished as soon as possible upon completion of the examination of the registration statement by the accountants. Every effort is being made to complete this examination as early as possible.

Sincerely yours,

William C. Wood

William C. Wood
Branch Chief
Division of Corporation Finance

Enclosure: General Comments

COMMENTS GENERALLY APPLICABLE TO SECURITIES ACT FILINGS

1. The prospectus should be updated wherever appropriate.

2. If there has been no adverse trend in net sales, net earnings, and the rate of receipt of new orders since the date of the latest financial information contained in the registration statement, please advise us accordingly by letter with supporting data. If there has been an adverse trend with respect to the foregoing, appropriate disclosure should be made in the prospectus including the amount of net sales, net earnings and net earnings per share for the period from the date of the latest financial information included in the prospectus up to the most recent practicable date and for the comparable period in the previous year. The representations and letter called for by Instruction 5 to Item 6 of Form S-1 should be furnished.

3. It is requested that this Division be advised, prior to the proposed effective date for the subject registration statement, as to whether the proposed offering has been reviewed by the NASD from the viewpoint of that Association's rules and policies concerning underwriters' compensation and arrangements, and free-riding and withholding and what advice has been received as to the status of this review.

4. It is assumed that each of the prospective underwriters has taken into account the amount of his proposed commitment in determining whether his participation in the underwriting will affect the ratio of his aggregate indebtedness to his net capital required by the provisions of Rule 15c3-1 as promulgated under Section 15(c)(3) of the Securities Exchange Act.

5. Please furnish by supplemental letter several days prior to the anticipated effective date, the indications of interest in the proposed offering. In addition a copy of such letter and the amended prospectus should be furnished the Regional Office of the Commission, and the letter of transmittal to this office should indicate that such has been accomplished.

6. Please inform us supplementally what definite arrangements have been made by the issuer and the underwriter for the delivery to the underwriter of certificates, in deliverable form in small denominations, at the time of settlement or

- over -

closing, to make sure that there will be available for immediate delivery to customers the necessary certificates and whether the underwriter and dealers are in a position to make such immediate deliveries. In addition, the issuer is requested to notify this division immediately after the closing that its arrangement with the underwriter has been carried out.

7. Your attention is directed to Rule 470 which provides that amendments to registration statements must be identified as such on the cover page and must be numbered consecutively in the order in which they are filed.

8. Please inform us whether any state regulatory authority has indicated that the issue will not be permitted to be qualified in such state and the reasons therefore.

9. Any request for acceleration of the effective date of the registration statement should be made in writing signed by the registrant, the selling stockholders and the managing underwriter as applicable. It is suggested that such request be submitted at least three days prior to the effective date requested and be qualified by the phrase "or as soon thereafter as possible."

10. In order to expedite the examination of the amendment filed in response to this communication, it is suggested that the staff be furnished with five marked copies of the complete amendment, including any revised exhibits, indicating the changes made. It is also requested that in addition to the number of prospectuses required by Rule 424(a), at least six extra copies of the prospectus included in any amendment be furnished. It is further requested that the company or its principal underwriter forward a copy of the amended prospectus directly to the Commission's Regional Offices at 26 Federal Plaza, New York, New York 10007, and Room 1708 U.S. Courthouse and Federal Office Building, 219 South Dearborn Street, Chicago, Illinois 60604.

Tr. # 40 A-780

BOTEIN, HAYS, SKLAR & HERZBERG
200 PARK AVENUE
NEW YORK, N. Y. 10017

PLAINTIFFS' EXHIBIT 40

October 20, 1969

BY HAND

Mr. George Faunce III
The Diners' Club, Inc.
10 Columbus Circle
New York, N.Y.

Re: Registration Statement

Dear George:

Enclosed for your review is a letter of comment with respect to the registration statement which we received this morning. We will be in touch as soon as everyone has had a chance to review the enclosure.

Please note that the last paragraph of the letter indicates that we have not yet received the comments from the SEC accountants on the financial statements.

Sincerely,

BOTEIN, HAYS, SKLAR & HERZBERG

By:
Lawrence I. List

LIL:ss
Enclosure

cc: Seymour Flug
Matthew P. Gallagher, Jr.
Jules T. Asch
William D. Fugazy
Philip Cohen
Edwin Heft

Plf's Dep't EXHIBIT 4 for ID
11. BOTEIN
Jan 24 '77

BEST COPY AVAILABLE

A-781

PLAINTIFFS' EXHIBIT 41

RECEIVED MAR 9,'70

February 18, 1970

Securities Exchange Commission
Division of Corporation Finance
Washington, D.C. 20549

Attention: Mr. William C. Wood
Branch Chief

Re: The Diners' Club, Inc.
Registration Statement
(Form S-1)
File No. 2-34442
Filed August 28, 1969

Dear Sirs:

Pursuant to Rule 477, The Diners' Club, Inc. hereby applies for the Commission's consent to withdrawal of its Registration Statement (Form S-1) File 2-34442, filed August 28, 1969, and, subject to such consent, hereby does withdraw that Registration Statement.

The Registration Statement was filed to register under the Securities Act of 1933 84,477 outstanding shares of the Common Stock $1 par value of The Diners' Club, Inc. to be sold by certain shareholders who received such shares in connection with several transactions in which the Company acquired businesses now operated as subsidiaries. Of Such shares an aggregate of 8,365 were subject either to certain restrictions on sale or to an escrow arrangement. The restrictions on sale were terminated on October 1, 1969, and the escrow arrangement terminated on October 25, 1969. The 84,447 shares were being registered, pursuant to covenants entered into by the Company at the time of the several acquisitions, to permit public sale of all or part of them by the selling shareholders from time to time on the New York Stock Exchange or otherwise, since the selling shareholders and broker-dealers through whom such sales might be effected might be deemed to be "underwriters" within the meaning of the Securities Act.

During the third quarter of 1969, through August 25, 1969 (three days before the filing of the Registration Statement) the market price per share of the Company's Common Stock ranged from a high of $25 to a low of $19 7/8. Subsequently the market price declined substantially, and during the period from January 1 to February 4, 1970 the high was $16 1/2 and the low $11 1/8. On February 4 the high was $13, the low $12 1/2 and the close $12 3/4. On February 5, 1970, The Continental Corporation published an offer (a copy of which is enclosed herewith) to purchase the Company's Common Stock at $15 per share.

It is thought that those of the selling shareholders who wish to sell their shares may do so by tendering them to The Continental Corporation, and that, inasmuch as such a tender would not involve any public offering or distribution of the shares, the selling shareholders in tendering their shares to The Continental Corporation would not be "underwriters" within the meaning of the Act. As indicated in its offer The Continental Corporation already has a substantial investment in The Diners' Club, Inc., and is in a position to acquire all such information about the Company as a registration statement would supply.

Accordingly, we submit that withdrawal of the Registration Statement is consistent with the public interest and the protection of investors.

On January 29, 1970, in order to respond to the request for a representation that none of the securities registered have been sold, the Company's counsel wrote to each of the selling shareholders to inquire whether or not in fact they had sold any of the shares. As yet replies have been received from only four of them, all stating that they have not sold any of the shares. The Company does not know whether any of the other selling shareholders have sold any of their shares but the certificates representing the shares bear a legend advising that there are restrictions upon transferability and the Company is advised by its Transfer Agent, The Chase Manhattan Bank N.A., that none of the shares have been transferred of record.

Yours very truly,

THE DINERS' CLUB, INC.

By S/ George Faunce III
George Faunce III
President

GF:po
bcc: Covington Hardee, Esq.
Samuel F. Howard, Esq.

A-783

PLAINTIFFS' EXHIBIT 42

Fugazy
Plaintiff's Ex; ZZ For ID
Date: 11/11/71 Lester D. Isaacs
Shorthand Reporter

RECEIVED MAR 13'70

March 11, 1970

Samuel F. Howard, Esq.
Kelley Drye Warren Clark
Corr & Ellis
350 Park Avenue
New York, New York 10022

Dear Mr. Howard:

Re: The Diners' Club, Inc.
SEC Registration No. 2-34442

I have received a copy of the letter which Mr. George Faunce, III, President of The Diners' Club, Inc. has sent to the Securities and Exchange Commission under date of February 18, 1970 withdrawing the then-pending Registration Statement for 84,477 shares of its Common Stock, including shares held by me and certain other individuals who were stockholders in F T Ventures, Inc. (formerly Fugazy Travel Bureau, Inc.).

The Diners' Club, Inc. has an obligation to register the shares of its Common Stock given to the stockholders of F T Ventures, Inc. when its wholly-owned subsidiary acquired the assets of Fugazy Travel Bureau, Inc. pursuant to an Agreement dated October 10, 1967.

Under the provisions of Sections 10.2(a) and 10.2(b) of that Agreement, and Section 5 of the Revised Employment Agreement, these shares were to be registered unless the attorneys for Diners' Club, Inc. concluded that these shares of Common Stock could be sold without a Registration Statement. If that is your conclusion, I would appreciate promptly receiving an opinion from you indicating that these shares may now be sold without the necessity of registration under the Act. In the absence thereof, I must ask you to advise Diners' Club, Inc. that I request it to reinstate the Registration Statement in order that Diners' Club may fulfill its commitment under the October 10, 1967 Agreement.

Sincerely,

S/ Otto Marx, Jr.

Otto Marx, Jr.

cc: Mr. George Faunce, III
Mr. William D. Fugazy
Mr. Louis V. Fugazy
Mr. John V. Summerlin
bc: Mr. Granvil I. Specks

T 43 A-784 PLAINTIFFS' EXHIBIT 43 P 46

RECEIVED APR 6 '70

KELLEY DRYE WARREN CLARK CARR & ELLIS

350 PARK AVENUE

NEW YORK 10022

752-5800

EDWARD R. BACHMAN
FRANKLIN B. BERNARD
FRANCIS S. BENSEL
WILLIAM C. BLIND
LEONARD A. BLUE
HEWITT A. CONWAY
JOHN J. COSTELLO
G. CLARK CUMMINGS
EUGENE T. D'ABLEMONT
HAROLD A. DONEGAN
JOHN W. DRYE, JR.
ROBERT EMMENBARD
B. HARRISON FRANKEL
LEONARD P. GAINES
COVINGTON HARDEE
C. PARKER HAYDEN, JR.
FRANK H. HEISS
ELLIS GEO. HOLMAN
J. QUINCY HUNSICKER, 3rd
THEODORE R. ISLEMAN
HENRY E. KELLEY
LELAND J. MARKLEY
CHARLES OECHSLER
J. CULBERT PALMER
THEODORE PEARSON
ALFRED W. ROBERTS
FREDERICK T. SMEA
FREDERICK H. STOKES
ALBERT J. WALKER
LOUIS B. WARREN

DOWNTOWN OFFICE
120 BROADWAY
NEW YORK 10005
349-2020

CABLE "LAWYERLY"

March 16, 1970

Send to G19 Specks

Mr. Otto Marx, Jr.
Marx & Co., Inc.
40 Wall Street
New York, New York 10005

Re: The Diners' Club, Inc.
SEC Registration No. 2-34442

Dear Mr. Marx:

Thank you for your letter dated March 11, 1970 about the withdrawal of the Registration Statement of The Diners' Club, Inc. Registration No. 2-34442.

At the request of Covington Hardee, Esq., I transmit to you herewith a copy of the opinion dated February 20, 1970 about which you inquire.

Yours very truly,

Samuel F. Howard

SFH:rh

cc: Mr. George Faunce, III
Mr. William D. Fugazy
Mr. Louis V. Fugazy

TT 48

A-785
PLAINTIFFS' EXHIBIT 48

48

NATIONAL QUOTATION BUREAU
INCORPORATED

CHICAGO
SAN FRANCISCO

116 NASSAU STREET
NEW YORK, N. Y. 10038
212 – 349-1800

BOSTON
LOS ANGELES

MAY 8, 1975

A REPORT

QUOTATIONS - ON THE NEW YORK STOCK EXCHANGE AS RECORDED IN THE WALL STREET JOURNAL.

ISSUE - DINERS CLUB INC (NEW YORK) COMMON

	SALES PRICES HIGH	LOW	CLOSE
1967			
JUNE 1	25 1/4	23 1/2	25 1/8
2	25 5/8	24 7/8	25
5	24 1/4	22 3/4	23 1/2
6	25	23 1/2	25
7	25 3/8	24 1/2	24 3/4
8	25 7/8	24 5/8	25 7/8
9	27	26	26 1/2
12	27	26 1/2	27
13	27 3/8	26 1/2	26 1/2
14	26 7/8	26	26
15	26 7/8	26	26 5/8
16	27 1/4	25 5/8	25 5/8
19	27 7/8	27	27 7/8
20	28 5/8	27 3/4	27 7/8
21	27 7/8	27 1/2	27 3/4
22	28 3/8	27 3/4	28 3/8
23	30 3/8	28 1/2	29 3/4
26	31 3/8	29 5/8	31
27	30 7/8	29 5/8	30 5/8
28	33 1/4	30 3/4	32 1/2
29	32 3/4	31 5/8	31 3/4
30	34	31 1/4	34
JULY 3	33 7/8	32 3/4	33 7/8
4	STOCK EXCHANGE CLOSED		
5	35 1/8	33 7/8	34 7/8
6	34 7/8	33 3/4	34
7	34 1/2	33 7/8	34 3/8
10	34 5/8	34 1/8	34 1/4
11	36 3/4	34 3/8	36 1/4
12	37 1/8	35 1/2	36 7/8
13	39	36 5/8	39
14	40 1/2	39	39 3/8
17	39 3/8	38 1/4	38 1/4
18	39 1/8	37 1/2	37 5/8

1967				
JULY	19	38 5/8	36 1/2	38 3/8
	20	39 1/4	38	39 1/4
	21	39 1/2	37 3/4	38
	24	37 7/8	36 5/8	37 5/8
	25	39 3/8	37	39
	26	39 1/2	38 3/4	38 3/4
	27	39 5/8	39	39 1/8
	28	39 3/8	38	38
	31	38 1/4	37 1/2	37 7/8
AUGUST	1	38 7/8	37 1/2	38 7/8
	2	39	38	38 1/8
	3	38 1/2	37 1/2	38 1/4
	4	38 7/8	37 1/4	37 1/4
	7	37 3/4	37	37 1/8
	8	37 3/4	37	37 3/8
	9	38 5/8	37 1/2	38 1/8
	10	39	38 1/2	38 1/2
	11	38	37 3/4	38
	14	37 5/8	36 3/4	36 3/4
	15	37 7/8	35 3/4	35 3/4
	16	36 5/8	36	36 1/4
	17	37 1/4	36 1/4	36 1/4
	18	37	36	36
	21	36 1/2	35 1/2	36 1/2
	22	36 3/4	36	36 3/4
	23	36 3/4	36	36
	24	36 1/4	34 7/8	35
	25	35 1/8	34 3/4	34 3/4
	28	34 7/8	33 1/4	34 3/4
	29	35 1/2	34 3/4	35
	30	35 1/2	35	35 1/8
	31	37 3/4	35 3/8	37 3/4
SEPTEMBER	1	37 1/4	36 5/8	37
	4	STOCK EXCHANGE CLOSED		
	5	37 1/2	37	37 3/8
	6	39 5/8	37 1/2	39 1/4
	7	40 3/4	39 1/4	40 5/8
	8	41	39 5/8	40 1/8
	11	40 3/4	40 1/8	40 3/4
	12	40 1/8	39 1/2	39 5/8
	13	39 7/8	38	39
	14	39 1/8	38 5/8	38 5/8
	15	38 3/4	38	38 1/4
	18	38	37 1/4	37 1/4
	19	37 3/8	37	37 1/4
	20	37 1/4	36 3/4	36 3/4
	21	38 1/4	37	37 5/8
	22	39 1/8	37 7/8	38 7/8
	25	40 1/4	38	38
	26	38 5/8	37	37
	27	36 7/8	36 1/2	36 3/4
	28	37	36 1/2	36 3/4
	29	37	36 1/2	37

OCTOBER 2	37	36 1/2	36 7/8
3	37	36 3/8	36 5/8
4	36 3/4	36 1/8	36 1/4
5	36 1/4	35 3/4	36
6	37	35 1/4	35 5/8
9	35 3/4	35 1/4	35 1/4
10	36 5/8	35 1/4	36 5/8
11	37 1/2	36 1/2	36 7/8
12	37 1/8	36 1/2	36 3/4
13	37 1/4	36	36
16	36	35	36
17	35 3/8	34 5/8	35
18	35	34 1/2	34 3/4
19	35 1/4	34 1/2	34 1/2
20	34 5/8	34 1/4	34 5/8
23	34 3/8	33 1/2	33 1/2
24	35 1/4	33 1/2	33 1/2
25	34 1/4	33	34
26	36 1/4	34 1/2	36
27	37 1/4	36 1/2	36 3/4
30	37 1/8	36 5/8	36 5/8
31	36 3/8	35	35
NOVEMBER 1	35 1/4	33 3/4	34
2	35	34 1/2	34 1/2
3	34 7/8	34 1/4	34 1/2
6	35	34 1/4	35 5/8
7	STOCK EXCHANGE CLOSED		
8	35 1/4	34 1/4	34 3/8
9	35	34 1/4	35
10	37	35	35 7/8
13	38 5/8	35 5/8	38
14	37 1/2	36 5/8	36 3/4
15	37 1/2	36	37 1/2
16	37 3/4	37 1/4	37 1/4
17	37 1/4	36	36 1/4
20	35 1/4	34 1/8	35
21	37	35 3/8	37
22	39	37 1/4	39
23	STOCK EXCHANGE CLOSED		
24	39	37 1/2	37 3/4
27	37 3/4	36 3/4	37 3/4
28	37 5/8	36 5/8	37
29	37 7/8	37	37 1/2
30	37 7/8	37	37 1/4
DECEMBER 1	38 1/4	37 1/4	38 1/8
4	40 1/4	38 1/8	40
5	40 7/8	38 1/4	39 1/4
6	39 3/4	39 1/4	39 1/4
7	40 1/2	39 1/2	39 1/2
8	42 7/8	40	42 7/8
11	43 5/8	42 1/2	43 1/4
12	44	43	43 1/8
13	43 1/4	42 1/4	42 5/8
14	42 3/8	41 1/4	41 1/2
15	41 5/8	39 3/4	40 1/4
18	41	40	41
19	42 1/2	41	41 1/2

1967			
DECEMBER 20	42 3/4	41 3/4	42 1/2
21	45 1/2	42 1/2	45 3/8
22	46	44	46
25	STOCK EXCHANGE CLOSED		
26	46 1/2	46 1/4	46 1/4
27	49 1/8	47	48
28	49 1/2	48 1/8	48 3/4
29	48 3/4	48	48 1/4
1968			
JANUARY 1	STOCK EXCHANGE CLOSED		
2	48 1/2	45 3/4	47 1/4
3	48 1/2	47 3/8	48
4	47 5/8	47 1/4	47 1/4
5	47 1/2	45	45
8	45 1/4	43 1/4	43 3/4
9	45 3/4	44	45 1/2
10	46	45 1/2	46
11	46 1/4	46	46 1/8
12	46 1/2	46	46 1/2
15	46 3/4	46 1/4	46 3/4
16	46 3/4	46 1/8	46 1/2
17	47	46 1/4	47
18	47 1/8	46 3/4	47
19	47 1/8	46 1/2	47
22	48	46 1/2	47 1/2
23	48	47 1/4	47 1/4
24	47	46 1/4	47
25	47 1/4	45	46
26	46 1/2	45 1/4	45 1/4
29	45	44 1/4	44 1/4
30	43 7/8	42 3/4	43 3/8
31	43 1/4	42 5/8	43 1/4
FEBRUARY 1	44	42 7/8	43 3/8
2	43 3/4	43	43
5	42 1/2	41 1/4	41 1/4
6	42	40 3/4	41 3/4
7	43	41 3/4	41 3/4
8	41 3/4	40	40
9	39 1/4	37 1/2	37 1/2
12	STOCK EXCHANGE CLOSED		
13	39 1/2	38	38 3/4
14	39 1/4	39	39 1/4
15	40 1/2	39 1/2	40 1/4
16	40 1/2	40 1/4	40 1/2
19	40 1/4	39 3/4	39 3/4
20	40	39 3/4	40
21	41 3/4	40 1/4	41 3/4
22	STOCK EXCHANGE CLOSED		
23	42 1/4	40 1/4	40 1/4
26	39 3/4	38 1/8	38 1/8
27	38 1/4	36 1/2	37 1/2
28	39 1/4	37 3/4	38 3/4
29	38 1/2	37 3/4	37 3/4

1968				
MARCH	1	37 1/2	37 1/2	37 1/2
	4	37 1/2	36	36
	5	36	35 1/4	35 3/4
	6	36 3/4	35 1/2	36 3/4
	7	37 1/2	37	37 1/2
	8	37 1/2	37 1/4	37 1/4
	11	38	37 1/2	38
	12	38	37 1/2	38
	13	39	38 1/4	39
	14	39 1/4	37 1/2	37 1/2
	15	38 3/8	37 1/4	38 1/8
	18	39 1/4	38 1/2	38 7/8
	19	38 7/8	38 3/4	38 3/4
	20	40	39	40
	21	40 3/4	40	40 1/4
	22	40 1/4	40	40
	25	42	40 1/4	42
	26	43	42 1/8	43
	27	43 3/4	43	43
	28	43 1/2	42 3/4	42 3/4
	29	43 1/4	43	43 1/4
APRIL	1	46 1/4	45	46 1/4
	2	46 1/2	46	46 1/8
	3	48 3/4	46	47 1/2
	4	50	47 1/4	50
	5	49 3/8	47 1/2	47 3/4
	8	48 1/4	47 1/4	48
	9	STOCK EXCHANGE CLOSED		
	10	50	48	48 3/4
	11	49 3/8	48 5/8	49 3/8
	12	STOCK EXCHANGE CLOSED		
	15	49 3/8	48 3/4	49 1/4
	16	49 1/2	49 1/4	49 3/8
	17	49 5/8	48 7/8	49 1/8
	18	48 3/4	48	48 3/8
	19	48 3/4	47 3/4	48 1/2
	22	48 1/2	47 1/4	47 1/2
	23	49 1/4	47 3/4	49 1/4
	24	50	49 1/2	50
	25	51 3/4	50 1/4	51
	26	51	49 3/4	50
	29	50	48 3/4	48 3/4
	30	49 1/2	49	49 1/4
MAY	1	49 7/8	49 1/4	49 7/8
	2	50 3/4	49 3/4	50 3/4
	3	52 1/4	51	52
	6	52 1/8	51 1/2	52
	7	53 3/4	51 3/4	53 3/4
	8	54 1/4	53 1/4	53 1/4
	9	53	51 1/4	51 1/4
	10	51 1/4	51 1/4	51 1/4
	13	52	51 3/4	51 3/4
	14	51 7/8	51 1/8	51 1/8
	15	50 3/4	49 1/2	49 1/2

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MAY	16	47	43	43 1/2
	17	44 1/4	42 3/4	44
	20	46 1/8	44	46 1/8
	21	45 1/4	44 1/2	45 1/4
	22	46 3/4	45 3/8	46 3/4
	23	48	46 1/2	48
	24	48 1/4	46 3/4	46 3/4
	27	47 1/4	46 1/4	47
	28	47 1/2	47	47
	29	47 3/8	47	47 1/8
	30	STOCK EXCHANGE CLOSED		
	31	47 1/2	46 3/4	47 1/2
JUNE	3	47 7/8	47 1/4	47 1/2
	4	47 1/2	47	47
	5	47 1/4	46 1/2	47
	6	47 1/8	46 1/2	46 7/8
	7	47 3/8	46 5/8	47
	10	48 3/4	46 3/4	48 1/2
	11	49 1/2	48 3/4	49 1/2
	12	STOCK EXCHANGE CLOSED		
	13	53	50 1/2	51
	14	51 1/2	51	51 1/2
	17	52 1/4	51 3/8	51 3/8
	18	51 3/8	49 1/2	49 1/2
	19	STOCK EXCHANGE CLOSED		
	20	52 3/4	50	52 3/4
	21	56 1/2	53 1/2	56 1/4
	24	58 1/8	56	56
	25	55 3/4	52 3/4	53 3/4
	26	STOCK EXCHANGE CLOSED		
	27	NOT AVAILABLE		
	28	53 1/8	50 1/2	50 3/4
JULY	1	53	51	52 1/2
	2	53 5/8	51 3/4	52 1/2
	3	53	52	53
	4	STOCK EXCHANGE CLOSED		
	5	STOCK EXCHANGE CLOSED		
	8	54	52 5/8	52 3/4
	9	53 1/4	52 3/4	52 7/8
	10	STOCK EXCHANGE CLOSED		
	11	53 1/8	52 1/2	52 3/4
	12	52 3/8	51	51 1/4
	15	51 5/8	50	50 1/4
	16	51	50 1/2	50 1/2
	17	STOCK EXCHANGE CLOSED		
	18	51 1/8	50 1/4	50 1/4
	19	50 3/4	49 3/4	49 3/4
	22	49 7/8	49	49 3/4
	23	50 1/4	49 1/2	49 3/4
	24	STOCK EXCHANGE CLOSED		
	25	50	48 3/4	49
	26	49 1/4	48 1/8	49
	29	49 5/8	48 1/4	48 1/4
	30	49	48 1/2	48 7/8
	31	STOCK EXCHANGE CLOSED		

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1968				
AUGUST	1	49 1/2	48 7/8	49
	2	48 1/4	48	48
	5	47 7/8	473/4	47 7/8
	6	47 5/8	47	47
	7	STOCK EXCHANGE CLOSED		
	8	48	46 7/8	47 1/2
	9	47 1/2	47 1/4	47 1/4
	12	53	47 3/4	53
	13	54 3/8	52 5/8	52 7/8
	14	STOCK EXCHANGE CLOSED		
	15	53 1/4	52 3/8	52 5/8
	16	53 1/4	51 1/8	51 3/4
	19	53 3/8	52	53 3/8
	20	53 3/4	52 3/4	53 3/4
	21	STOCK EXCHANGE CLOSED		
	22	54	53	53 1/4
	23	53 5/8	52 1/4	52 1/4
	26	52 3/4	51 1/2	51 7/8
	27	51 3/4	50	50 1/2
	28	STOCK EXCHANGE CLOSED		
	29	50 5/8	49 5/8	49 5/8
	30	50 3/4	49 3/4	50 1/2
SEPTEMBER	2	STOCK EXCHANGE CLOSED		
	3	51 1/2	50 1/2	51 1/2
	4	54 1/4	52 1/2	53
	5	54 3/4	53 1/2	54 1/4
	6	55	54 1/4	54 5/8
	9	54 1/2	54	54 1/4
	10	55 3/4	54 1/4	55 1/2
	11	STOCK EXCHANGE CLOSED		
	12	56 1/2	55 1/4	55 1/4
	13	55	54 1/2	54 1/2
	16	55 3/4	55	55 1/4
	17	55 7/8	54 3/4	55
	18	STOCK EXCHANGE CLOSED		
	19	55	54 1/2	54 1/2
	20	55	54 1/4	55
	23	55	54 1/2	54 1/2
	24	54 3/4	54 1/2	54 1/2
	25	STOCK EXCHANGE CLOSED		
	26	54 3/4	54 3/8	54 3/8
	27	54 5/8	54 1/2	54 1/2
	30	54 3/4	54 1/2	54 1/2
OCTOBER	1	57	54 3/4	56
	2	STOCK EXCHANGE CLOSED		
	3	57 1/4	56 1/2	56 7/8
	4	57 1/8	56 1/2	56 3/4
	7	56 7/8	56 7/8	56 7/8
	8	56 3/8	55 5/8	55 3/4
	9	STOCK EXCHANGE CLOSED		
	10	56	55	55 5/8
	11	55 3/8	54 5/8	54 5/8
	14	54 1/2	54 1/8	54 1/8
	15	54 7/8	54	54 7/8
	16	STOCK EXCHANGE CLOSED		
	17	55 1/8	54 1/2	54 5/8

1968				
OCTOBER	18	54 1/2	52 1/2	54
	21	54	52 1/2	52 3/4
	22	52 3/4	51 1/4	52
	23	STOCK EXCHANGE CLOSED		
	24	55 1/2	52 1/2	54 3/8
	25	55 1/4	54 1/2	55
	28	54 3/4	53 5/8	53 5/8
	29	54	53	53
	30	STOCK EXCHANGE CLOSED		
	31	53 1/4	51 1/4	52 1/8
NOVEMBER	1	52 3/8	50	50
	4	51 7/8	50 1/2	51 7/8
	5	STOCK EXCHANGE CLOSED		
	6	52 1/2	52	52
	7	52 1/8	52	52 1/8
	8	54	52 1/8	52 1/8
	11	STOCK EXCHANGE CLOSED		
	12	53 1/8	52 1/2	52 1/2
	13	52 1/8	51	51
	14	51 1/2	49 1/4	51 1/4
	15	52 3/8	51 1/4	52 3/8
	18	54	52 1/8	54
	19	55 3/8	54 3/8	54 7/8
	20	STOCK EXCHANGE CLOSED		
	21	56	52	52 1/2
	22	54 1/2	52 1/4	52 1/4
	25	52 1/2	51 1/2	51 1/2
	26	51 1/2	50 1/8	51 1/4
	27	51 1/2	51	51 1/2
	28	STOCK EXCHANGE CLOSED		
	29	51 7/8	51	51
DECEMBER	2	51 1/8	50 1/8	50 1/2
	3	50 1/4	49 1/2	50
	4	STOCK EXCHANGE CLOSED		
	5	49 1/4	47 3/4	48
	6	50	47 3/4	50
	9	51 3/4	50 1/4	50 1/4
	10	51 1/4	49 3/4	49 3/4
	11	STOCK EXCHANGE CLOSED		
	12	51	49 3/4	50
	13	50 3/8	50	50 1/4
	16	50 5/8	50 1/4	50 5/8
	17	51 1/2	50 5/8	51 1/2
	18	STOCK EXCHANGE CLOSED		
	19	51	49	49 1/2
	20	50 1/2	49 3/4	50
	23	50	49	49
	24	48 3/4	47 1/4	47 1/4
	25	STOCK EXCHANGE CLOSED		
	26	48 1/2	47 1/4	48 1/2
	27	49	48 1/2	48 3/4
	30	48 1/2	47 1/8	47 1/8
	31	47 1/2	46 7/8	47 1/2

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JANUARY	1	STOCK EXCHANGE CLOSED		
	2	48 1/4	47 1/4	48 1/4
	3	48 3/4	47 7/8	48 1/4
	6	48 1/4	48	48 1/8
	7	48 1/2	48	48
	8	47 1/2	47	47 1/4
	9	47 1/4	46	46 1/4
	10	46 3/8	45 7/8	45 7/8
	13	45 3/4	45 1/4	45 1/4
	14	45 3/4	45	45 3/4
	15	46 1/2	45 1/2	46 1/2
	16	46 3/4	46 1/2	46 5/8
	17	46 7/8	46	46 1/2
	20	47	46 1/4	46 1/4
	21	46	45 1/4	45 1/4
	22	45	43	44
	23	45	44 1/8	45
	24	45 1/4	44 1/2	44 1/2
	27	46	44 5/8	45 3/4
	28	46	45 3/4	45 7/8
	29	46 3/4	45 3/4	46
	30	46 1/2	46	46
	31	46 3/4	46	46
FEBRUARY	3	46 7/8	46 3/8	46 5/8
	4	46 3/8	45	45
	5	45	44	44 1/8
	6	44	43 3/4	44
	7	44	43	43
	10	STOCK EXCHANGE CLOSED		
	11	43	42 3/4	43
	12	44	43 1/4	43 3/4
	13	45 7/8	44	45 1/2
	14	46 1/2	45 3/4	46 1/2
	17	46 1/2	45 1/2	45 5/8
	18	45 1/2	44 5/8	45 1/2
	19	45 1/2	45	45
	20	44 5/8	42 5/8	42 5/8
	21	STOCK EXCHANGE CLOSED		
	24	42 1/4	41	41
	25	39 7/8	39 1/2	39 7/8
	26	39 1/4	39 1/8	39 1/4
	27	39	38 1/8	38 1/8
	28	37 3/4	37 1/8	37 1/4
MARCH	3	37	36 1/2	36 3/4
	4	36 7/8	36 1/8	36 1/2
	5	36 1/2	36 1/4	36 1/2
	6	36 1/2	36	36
	7	35 1/4	35	35 1/8
	10	35 1/8	33 1/2	33 1/2
	11	33 1/2	33 1/4	33 1/4
	12	33	31 3/8	31 3/4
	13	31 1/4	31	31
	14	30 3/4	29 1/2	29 7/8
	17	29 7/8	29 5/8	29 7/8
	18	31 1/4	30 1/4	31

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MARCH	19	35 3/4	32 3/4	34 3/4
	20	34 5/8	33 3/4	34 1/2
	21	35 1/2	34	34 1/8
	24	34	34	34
	25	33 3/4	31 1/2	31 5/8
	26	31 5/8	31	31 3/8
	27	33	30 1/4	30 1/4
	28	30 3/4	30	30 1/4
	31	STOCK EXCHANGE CLOSED		
APRIL	1	30 5/8	29 3/4	29 7/8
	2	32	29 5/8	29 3/4
	3	31 1/2	30	31 1/4
	4	STOCK EXCHANGE CLOSED		
	7	31 5/8	30 1/4	30 1/2
	8	30 3/4	30 1/2	30 3/4
	9	30 7/8	30 3/4	30 7/8
	10	31 5/8	30 5/8	30 5/8
	11	31	30 5/8	31
	14	31 1/2	30 3/4	30 3/4
	15	31	29 1/2	30 1/8
	16	30 1/4	27 1/2	27 7/8
	17	28	27 1/2	27 3/4
	18	27 1/2	27 1/4	27 1/4
	21	27 1/4	26 7/8	26 7/8
	22	26 7/8	26 5/8	26 5/8
	23	27	26 5/8	27
	24	27	26 1/2	26 1/2
	25	26 7/8	26 1/8	26 1/8
	28	26 3/8	25 1/2	25 1/2
	29	25	24 1/2	25
	30	27 1/4	24 3/4	25 3/4
MAY	1	26 1/2	26	26 1/4
	2	28 5/8	26 5/8	28 1/2
	5	29	28 1/2	29
	6	28 3/4	27 7/8	28
	7	28 1/8	26 1/4	26 7/8
	8	27 1/8	26 1/2	26 1/2
	9	26 7/8	26	26 1/4
	12	26 1/8	24 5/8	25
	13	25 7/8	25 1/8	25 1/2
	14	26 1/4	25 1/2	25 1/2
	15	25 7/8	25 1/8	25 1/8
	16	25 1/4	24 7/8	25
	19	25	24 1/2	24 1/2
	20	25	24 1/2	25
	21	25	24 7/8	24 7/8
	22	25 5/8	25 1/4	25 1/4
	23	25 5/8	25 1/8	25 5/8
	26	27 1/2	26 1/2	27 1/8
	27	27 1/4	26	26
	28	26	25 1/8	25 1/4
	29	25 5/8	25	25 1/8
	30	STOCK EXCHANGE CLOSED		

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JUNE	2	26	25 1/4	25 1/4
	3	25 3/4	25	25
	4	25 1/8	24 7/8	24 7/8
	5	25	24 7/8	24 7/8
	6	25 1/4	24 7/8	24 5/8
	9	24 5/8	22 1/2	22 1/2
	10	22 3/4	22 1/4	22 1/4
	11	22 1/2	21 7/8	22 3/8
	12	22	21	21
	13	21 1/2	21	21 1/8
	16	21 1/2	21	21 1/8
	17	21 1/2	21 1/8	21 1/8
	18	21 7/8	21 1/4	21 1/4
	19	21 5/8	21 1/4	21 1/4
	20	22	21 1/2	21 1/2
	23	22	21 1/4	21 3/8
	24	22 1/4	21 5/8	22 1/4
	25	24 1/4	23	23 3/8
	26	23 7/8	23 1/4	23 5/8
	27	24	23 3/4	24
	30	25	24	24 7/8
JULY	1	25	24 1/2	24 1/2
	2	24 3/4	23 5/8	23 5/8
	3	23 7/8	23 5/8	23 3/4
	4	STOCK EXCHANGE CLOSED		
	7	23 7/8	22 1/2	22 1/2
	8	22 1/4	21 5/8	21 3/4
	9	22	21 1/2	21 1/2
	10	22 1/4	21 5/8	21 5/8
	11	22	21 5/8	22
	14	22 3/4	22 1/2	22 1/2
	15	23	22 1/4	22 1/2
	16	22 1/2	22 1/4	22 1/4
	17	23	22 1/2	22 3/4
	18	22 5/8	22 1/8	22 1/8
	21	STOCK EXCHANGE CLOSED		
	22	23	22 1/2	22 1/2
	23	22 1/8	21 7/8	22 1/8
	24	22 1/2	22	22
	25	22 1/4	21 3/4	21 3/4
	28	21 3/4	21 1/8	21 1/8
	29	21	20 1/2	20 1/2
	30	20 3/8	20	20 1/8
	31	20 1/4	19 7/8	20
AUGUST	1	20 3/4	20 1/4	20 1/4
	4	21 1/2	20 1/2	20 7/8
	5	21 3/8	21	21
	6	21 1/8	20 3/4	20 3/4
	7	21	20 3/4	20 3/4
	8	20 3/4	20 1/4	20 1/4
	11	20 1/2	20 1/4	20 1/2
	12	20 3/4	20 3/4	20 3/4
	13	20 3/4	20 3/8	20 3/8
	14	21	20 3/4	20 3/4
	15	21 1/2	21	21

1969

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AUGUST 18	22 1/2	20 7/8	22 1/8
19	23 1/2	23	23 3/8
20	23 3/4	23 1/8	23 1/8
21	23 1/4	23	23
22	23 3/4	23 1/8	23 1/8
25	23 3/8	23	23
26	23 7/8	22 3/4	22 7/8
27	23	22 3/4	22 3/4
28	23 5/8	23	23 5/8
29	23 1/2	23	23 1/2
SEPTEMBER 1	STOCK EXCHANGE CLOSED		
2	23 3/4	23 3/8	23 3/8
3	23 1/2	23	23 1/4
4	23	22 3/4	22 3/4
5	22 7/8	22 1/2	22 1/2
8	22 3/8	21	21 1/4
9	21 3/4	21	21 1/2
10	21 1/2	21	21 1/4
11	21 1/4	21	21
12	21	21	21
15	21 1/8	21	21
16	21 3/8	21 1/8	21 1/8
17	21 3/4	21 3/8	21 3/4
18	21 3/4	21 3/4	21 3/4
19	22	21 3/4	22
22	23 1/4	22 1/4	23
23	23	22 1/2	22 1/2
24	22	21 1/2	21 1/2
25	22 3/4	21 1/2	21 1/2
26	21 3/4	21 1/2	21 1/2
29	21 1/4	20 7/8	21 1/8
30	21	20 3/4	30 3/4
OCTOBER 1	20 5/8	20 1/8	20 1/8
2	20 5/8	20	20 1/2
3	20 3/4	20 3/8	20 1/2
6	20 7/8	20 5/8	20 5/8
7	20 3/4	20 3/8	20 3/4
8	20 1/2	20	20 1/8
9	20	19 1/2	19 1/2
10	19 1/2	19	19
13	19 1/4	17 3/4	18
14	18 1/2	18	18 1/4
15	18 5/8	18 1/8	18 1/8
16	18 1/4	17 7/8	18 1/8
17	18 3/8	17 7/8	17 7/8
20	18	17 7/8	18
21	18 3/4	18	18 3/4
22	19 1/4	18 3/4	19 1/4
23	19 3/8	19 1/4	19 3/8
24	19 3/4	19	19
27	19 3/8	19 1/8	19 1/8
28	19 3/8	19	19 1/4
29	19 1/4	19	19 1/4
30	19 1/4	19	19 1/4
31	19 5/8	19	19 5/8

1969			
NOVEMBER 3	20	19 3/4	20
4	19 3/4	19 1/2	19 5/8
5	22	19 3/4	21 1/2
6	22	21 1/2	22
7	22	21 5/8	21 5/8
10	21 3/8	21	21
11	21	20 1/2	20 1/2
12	20 1/2	20 1/4	20 3/8
13	20 5/8	19 1/4	19 1/4
14	19 3/4	19	19 1/4
17	19 1/8	18 5/8	18 5/8
18	18 3/4	18 1/4	18 1/4
19	18 3/8	17 7/8	18
20	18	17 1/2	17 3/4
21	17 3/4	17 1/2	17 1/2
24	17 3/8	17	17
25	17 3/8	17	17 3/8
26	17 3/8	17 1/8	17 1/8
27	STOCK EXCHANGE CLOSED		
28	17 3/4	17 1/4	17 3/8
DECEMBER 1	18	17 3/8	17 3/4
2	17 3/8	17 1/8	17 1/8
3	17 1/4	16 5/8	16 5/8
4	16 7/8	16	16
5	16 1/2	16	16 1/4
8	16 1/4	15 1/4	15 1/4
9	15 3/4	15 1/4	15 3/8
10	15 3/8	15	15 1/4
11	15 1/2	15	15
12	15 3/4	15	15 3/4
15	16 1/2	15 1/2	16
16	16	15 1/2	15 1/2
17	15 3/4	15 1/8	15 1/2
18	15 3/4	15 3/8	15 3/8
19	16	15 5/8	15 7/8
22	15 7/8	15 1/4	15 1/4
23	15 5/8	15	15 3/8
24	15 1/4	14 7/8	15 1/8
25	STOCK EXCHANGE CLOSED		
26	15 3/8	14 7/8	14 7/8
29	15 3/4	14 1/2	14 5/8
30	14 3/4	14	14 1/8
31	14 5/8	13 3/4	14 1/8
1970			
JANUARY 1	STOCK EXCHANGE CLOSED		
2	15 3/8	14 1/8	15 3/8
5	16 1/2	15 3/4	16
6	16	15 5/8	15 5/8
7	15 7/8	15 3/4	15 3/4
8	15 5/8	15 1/4	15 1/2
9	15 1/2	14 3/4	14 3/4
12	14 3/4	14 1/2	14 1/2
13	14 7/8	14 5/8	14 7/8
14	14 3/4	14 1/2	14 1/2

A-798

1970

JANUARY	15	14 1/2	14 3/8	14 3/8
	16	14 1/2	14 1/8	14 1/8
	19	14 1/8	14	14
	20	14 1/4	14 1/4	14 1/4
	21	14 5/8	14 1/4	14 5/8
	22	14 3/4	14 5/8	14 3/4
	23	14 3/8	13 1/2	13 1/2
	26	13 5/8	13	13
	27	13 1/8	12 1/2	12 5/8
	28	12 1/4	11 1/8	11 1/4
	29	11 3/4	11 1/8	11 5/8
	30	11 5/8	11 1/2	11 1/2
FEBRUARY	2	12 1/4	11 1/2	12 1/4
	3	13 1/4	12 1/4	13
	4	13	12 1/2	12 3/4
	5	12 3/8	11	11 3/8
	6	15	11 5/8	15
	9	15 3/8	15 1/8	15 1/4
	10	15 1/4	15	15 1/8
	11	15 1/4	15	15
	12	15 1/4	15	15
	13	15 1/8	15	15 1/8
	16	15 1/8	15	15
	17	15 1/8	15	15
	18	15 1/4	15	15
	19	15 1/8	15	15
	20	15	15	15
	23	STOCK EXCHANGE CLOSED		
	24	15	15	15
	25	15 1/8	15	15
	26	15	15	15
	27	15	15	15

NATIONAL QUOTATION BUREAU, INC

Dominick DeQuarto

DOMINICK DEQUARTO
LIBRARY MANAGER

DD:c

TT
Exh # 55

A-799

PLAINTIFFS' EXHIBIT 55

Mr. Alfred Bloomingdale

May 16, 1969

George Faunce

CONFIDENTIAL

Otto Marx' Registration Request

On May 14 I had lunch with Otto Marx primarily for the purpose of discussing with him his registration request and the available alternatives. As you know from Julian's recent meeting with Otto, the only alternative proposed was for us to carry the interest on the FT Ventures loans and buy in 1/6 of the stock at semi-annual intervals over a three-year period at the current market. It appears from talking with Otto that we would not necessarily have to lay out the cash for the stock at each semi-annual interval but could balloon it at the end, paying the aggregate based on the various semi-annual market prices. Of course, an arrangement such as that would mean a significantly higher interest burden.

Otto gave me the arithmetic on the present loans outstanding. $1,350,000 is owing to the Chase Manhattan Bank at 1/2 of 1% over the prime rate and $686,383.58 is due Marx & Company, Inc with interest at the prime rate. This represents an annual interest burden of approximately $160,000. In my opinion, that makes the price of the semi-annual purchase alternative too steep. I would recommend that we consider proceeding with registration, which I am told will cost in the neighborhood of $30,000, in the absence of some other alternative. Of course, half of the cost of registration would be borne by Otto Marx.

George

GF:ps

cc: Mr. Harold Johnson
Mr. Julian Weber
Mr. Jules Asch

A-80

Established 1870

DEFENDANTS' EXHIBIT B

Fugazy Travel Bureau, Inc.

488 MADISON AVENUE, NEW YORK, NEW YORK 10022 / PLAZA 1-3434

OFFICE OF THE PRESIDENT

April 14, 1965

Mr. Al Bloomingdale
President
Diners' Club
10 Columbus Circle
New York, New York.

Dear Al:

It has been some time now since you and Otto mutually agreed to cease negotiations. Since that time I have given the matter a great amount of thought and I think it only fair to all concerned that I write this letter with the possible hope that it will clarify some issues that were raised during your discussions with Otto.

I was quite excited over the possibility of our having a joint venture or working out a merger, as I have always been extremely confident in the success and development of the Diners' Club. I am also perhaps better aware than anyone else in the travel field of the tremendous danger that American Express caused by their credit card facilities. I was really keyed up over the prospects of fighting them in conjunction with Diner's Club and also very thrilled over the possibility of working with someone as enterprising, energetic and talented as you - and from that standpoint I am disappointed.

I can fully appreciate a decision being made based on sound business judgment, but I certainly cannot understand one being made based on rumors and innuendos. As I understand it from Otto, you stated that I was recently confronted with a problem because I was involved with some sinister people and that it was necessary for my friends to come to my rescue. I can assure you that no such an event ever occurred and it is a complete fabrication. Despite the fact that we may have closed the doors on any further negotiations, I would nevertheless like the record to show clearly that no such event ever occurred.

During my years in business, I have been exposed to all types of individuals, as it is rather difficult to lead a sheltered life in today's business world. Nevertheless I can assure you that I have always been extremely careful in my associations and have never permitted myself to become involved with people whose reputations were questionable. I am quite sure that upon examining my personal background and looking at the positions of honor that I have been given in the Church and the U.S. Navy, you will realize that such a story could not be factual.

The travel business is very difficult and many of the people in it seem to spend the greatest amount of their time attacking each other while ignoring the possibilities of creating new markets and new methods to sell their products. Ever since my inception into this business, I have continuously refused to permit myself to become involved in the politics of the industry or to be associated with organizations that had continuous political issues. Having advanced ourselves from a small agency to the number three spot was not an easy task and I am sure we have antagonized many of our competitors because of our keen attempt to develop business.

I fully realize how created stories like this, especially about a well-known person such as myself, makes for good gossip. I nevertheless think that a person of your intelligence should look into the matter more fully before accepting the facts as stated. That you mentioned a sinister element caused me particular grief, because during the time I was associated with boxing, I waged a very bitter war against all such elements and was successful in keeping them out during my short tenure of office. The Saturday Evening Post even paid me $10,000 for a story describing my fight against the underworld, and many public officials complimented me on what they considered a very courageous stand.

Perhaps this letter may appear to be just an exercise in futility to you, but I think you can appreciate my feelings and emotions when someone has slandered me for no reason whatsoever. I am certain that you will never permit me to confront the person who told you this story. I am also confident that upon thinking the matter over, you will realize that perhaps the person had a purpose in creating such a situation and perhaps has directly or indirectly benefitted from the apparent results obtained.

I stand ready, willing and able to defend my name and reputation, and that of my family, if you think it necessary and would welcome the opportunity to disprove such unwarranted accusations.

Although we were unable to conclude anything with our negotiations, I can assure you that I enjoyed being with you and discussing such interesting aspects in the future growth of the travel business through the credit card system.

With best wishes, I am,

Sincerely yours,

WILLIAM DENIS FUGAZY
President

WDF:av

A-802 Δ Exh F

DEFENDANTS' EXHIBIT F

FUGAZY TRAVEL BUREAU, INC. AND SUBSIDIARIES
Financial Statements
June 30, 1967

THE ACCOMPANYING FINANCIAL STATEMENTS OF FUGAZY TRAVEL BUREAU, INC. AND SUBSIDIARIES ARE PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPALS CONSISTENTLY APPLIED.

Otto Marx , Jr., Chairman of the Board

William Denis Fugazy, President

Robert H. Phillips, Executive Vice President

FUGAZY TRAVEL BUREAU, INC. AND SUBSIDIARIES
Consolidated Balance Sheet
June 30, 1967
(Unaudited)

A-804

Assets

...t Assets		
...sh		$ 5,507
...unts Receivable (less reserve $87,252) (Note 1)		1,770,938
...es Receivable - Current Portion		91,750
...epaid Expenses, Deposits, etc.		229,788
		2,097,983
...Receivable - Due Through 1972		297,548
...ture, Equipment and Improvements - At Cost	$ 269,290	
...s: Accumulated Depreciation	(169,460)	99,830
...Assets		
...estment in and advances to franchise offices	152,292	
...estment in Foreign Subsidiary	35,281	
...ferred Charges	88,535	
...er	50,240	326,348
...ible Assets		
...dwill (Note 2)	1,390,016	
...ganization Expense	18,500	1,408,516
Total		$4,230,225

Liabilities and Stockholders' Equity

Current Liabilities		
Account Payable and Customer's deposits		$2,146,254
Accrued Expenses		293,333
		2,439,587
Long Term Liabilities		
Notes Payable to Stockholders	$ 825,000	
Notes Payable to Travel Credit Corp.	1,465,000	2,290,000
Stockholders' Equity		
6% cumulative preferred stock - $20 par value, authorized - 10,000 shares, issued - 9,950 shares (Note 3)	199,000	
6% cumulative preferred stock - $15 par value, authorized 10,000 shares, issued 2,997 shares (Note 3)	44,955	
Common Stock - $10 par value, authorized 7,500 shares, issued 4,500 shares	45,000	
Paid in Capital	6,000	
	294,955	
Retained Earnings (Deficit)		
Beginning of period	(882,416)	
Net income for period	88,099	
End of period	(794,317)	(499,362)
Total		$4,230,225

See Notes to Financial Statements

BEST COPY AVAILABLE

FUGAZY TRAVEL BUREAU, INC.
Consolidated Income Statement
For The Nine Months Ended June 30, 1967
(Unaudited)

Revenue	
Commissions on commercial and general travel	$ 732,281
Gross profit on tours	178,416
Income from sales of franchises (including $300,000 for existing offices)	610,500
	1,521,197
Selling and Administrative Expenses	
Salaries, wages, and commissions	709,723
Telephone and Telegraph	82,384
Rent	60,433
Professional fees	40,938
Taxes (principally payroll taxes)	45,694
Travel and entertainment	48,193
Provision for doubtful accounts	39,060
Insurance	8,006
Depreciation and amortization	23,718
Stationery and printing	19,384
Advertising and sales promotion	76,539
Other	168,914
	1,322,986
Income From Operations Including Income From Sales of Franchises	198,211
Interest Expense	110,112
Net Income	$ 88,099

See Notes to Financial Statements

9/13/67

FUGAZY TRAVEL BUREAU, INC. AND SUBSIDIARIES
Notes to Financial Statements
June 30, 1967

1. ACCOUNTS RECEIVABLE

As of June 30, 1967, substantially all of the Accounts Receivable are pledged to secure borrowings from Travel Credit Corporation, an affiliated company.

2. GOODWILL

The Company and Subsidiaries were purchased by the present ownership in March 1963 from Tower Universal Corporation (subsequently Tower Credit Corporation, now in receivership) for $1,500,000 in cash and notes. As of the purchase date, the consolidated liabilities exceeded the tangible assets by $169,238. At that time the entire purchase price plus this excess was charged to Goodwill. On August 22, 1967, the unpaid balance of the notes of $900,000, was settled for $265,000 and the difference less costs reduced Goodwill. The accompanying balance sheet at June 30, 1967 gives effect to this settlement.

3. DIVIDENDS

No provision has been made in the accompanying financial statements for dividends in arrears since issuance for the two clases of 6% preferred stock which amounts to approximately $63,000. The major portion of the stock is held by the principal common stockholder.

4. FRANCHISE PROGRAM

The commercial and general travel formerly handled by the Company directly is being franchised through a branch development program including the franchising of certain existing offices. As of August 1967, three Company owned offices have been so franchised and 23 new offices opened. The Company is to receive a royalty based on the gross revenue of these offices.

5. SUBSEQUENT EVENTS

On July 20, 1967, the Company entered into negotiations for the sale of substantially all of its assets to The Diner's Club. The outcome of these negotiations is not presently determinable.

9/13/67

Δ Exh J

A-807
DEFENDANTS' EXHIBIT J

February 26, 1963

TOWER-FUGAZY AGREEMENT

This AGREEMENT dated as of the 15th day of February, 1963 by and among FUGAZY TRAVEL BUREAU INC., a New York corporation, (hereinafter called "Fugazy"), Louis V. Fugazy (hereinafter called "Louis"), William D. Fugazy (hereinafter called "William"), and Tower Universal Corporation, a Delaware corporation, (hereinafter called "Tower")

W I T N E S S E T H :

WHEREAS, Fugazy, Louis, William and Tower have entered into an agreement dated July 26,1961 (hereinafter called the "July 26,1961 Agreement")relating to the exchange of stock of Fugazy held by Louis and William for shares of Class A stock to be issued by Tower (the name of which was then "Tower Acceptance Corporation"); and

WHEREAS, such agreement of July 26,1961 was amended by letter agreements dated July 27,1961 and October 13,1961; and

WHEREAS, Louis and William received under the July 26,1961 Agreement an aggregate of 44,361 shares of Class A stock of Tower, of which 10,000 shares are held for their account in escrow by Saxe, Bacon & O'Shea pursuant to the provisions of Section 2(a) of said Agreement; and

WHEREAS, William is a party to an Employment Agreement with Fugazy dated November 1,1961 under which Tower has guaranteed the performance of certain obligations of Fugazy; and

WHEREAS, Tower proposes to sell all of the outstanding shares of Fugazy to a third party and in so doing will be obliged to make certain representations and warranties covering Fugazy and affiliated corporations.

WHEREAS, the parties hereto wish to make a further amendment to the July 26,1961 Agreement and to terminate Tower's guarantees under the aforesaid employment agreement.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants herein contained, it is hereby agreed as follows:

1. All agreements and releases contained herein are subject to the consummation of the Closing of the Agreement to be executed among Tower, Travelmarx, Inc., Fugazy and Otto Marx, Jr. (hereinafter called the "Purchase Agreement"), a copy of which is attached as Exhibit A hereto, including the satisfaction of any conditions subsequent set out in such Purchase Agreement or amendments thereto. If such Closing is not consummated or if such conditions subsequent are not satisfied (or waived) for any reason whatever, this Agreement and all provisions hereof shall be null and void.

2. Tower hereby releases Fugazy, Louis and William from any and all claims or demands, past, present or future, which Tower may have against Fugazy, Louis and William pursuant to the representations and warranties contained in Section 6 of the July 26,1961 Agreement.

3. The provisions of Section 2 of the July 26, 1961 Agreement are hereby deleted and shall be of no further force and effect. In lieu thereof, it is hereby agreed that Louis and William hereby accept the total of 44,361 shares referred to in the third recital of this Agreement as payment in full for the shares of Fugazy delivered to Tower upon the closing of the July 26,1961 Agreement as amended, and in full satisfaction of any and all claims or demands, past, present or future, of any character or nature which Louis or William may have against Tower arising out of such Agreement as amended; and hereby release Tower from any and all such claims or demands.

4. Tower hereby waives and releases any and all claims or demands, past, present or future, which it may have against Louis or William for the return of shares of Class A stock of Tower pursuant to Section 2 of the July 26,1961 Agreement and the amendment thereto dated October 13,1961.

5(a) Louis and William agree that the 10,000 shares of Class A stock of Tower held in escrow by Saxe, Bacon & O'Shea shall continue to be held by such firm in escrow pursuant to the July 26,1961 Agreement, as amended by this Agreement, as security for any claims which Tower may have against Louis or William pursuant to the representations, warranties and indemnity agreement made by them pursuant to paragraph 6 hereof. In the event of an arbitration award in favor of Tower with respect to any claim against Louis or William for which such shares are held as security, or in the event that any such claim is reduced to final judgment in a court of competent

jurisdiction from which no appeal is pending or can be taken, the escrow agent shall be authorized to deliver to Tower such number of shares as may be necessary to satisfy such award of judgment, valuing such shares at the closing price of the Tower Class A stock on the American Stock Exchange on the date that such award or judgment is entered. Upon the termination of the escrow, any balance of shares remaining thereunder shall be delivered to Louis or William, their successors or assigns as their interests may appear.

(b) The aforesaid escrow shall terminate upon the delivery to Tower of a release from all of the parties to the Purchase Agreement other than Tower, in which Tower is released from all further claims or demands, past, present or future, of such other parties under the Purchase Agreement other than claims under Section 11 (b) thereof; or upon the latest of (i) the expiration of the applicable periods of limitations with respect to all of such claims and demands, (ii) the final disposition of all litigation respecting such claims or demands timely commenced; or (iii) the due disposition of funds held in escrow under Section 12(g) of the Purchase Agreement as the result of such claims or demands unless such funds are held in escrow as a result of claims or demands arising under Section 11 (b) of the Purchase Agreement.

(c) Louis or William shall have the right, at any time and from time to time, to obtain the release of the shares of Class A stock of Tower held for their account in escrow under paragraph (a) of this Section, upon concurrently depositing with the escrow agent readily marketable securities which have a fair market value at such time of at least $50,000. The valuation

of the proposed substituted collateral is to be determined by the Board of Directors of Tower, and such valuation, if made in good faith, shall be conclusive.

(d) In the event that Saxe, Bacon & O'Shea shall cease to serve as counsel for Tower, Tower shall have the right to direct Saxe, Bacon & O'Shea to deliver the shares held in escrow to such other firm of attorneys as may then be serving as general counsel for Tower, which firm shall hold such shares as substitute escrow agent hereunder. Notice of such substitution and the acceptance of the escrow by the substituted escrow agent shall be given in writing to Louis and William simultaneously with such substitution.

6(a) Louis and William represent and warrant that, insofar as the representations and warranties set forth in Section 1 [except Paragraphs (c), (d), (e) and (q)] of the Purchase Agreement relate to the Fugazy Group Corporations (as defined in said Purchase Agreement) such representations and warranties are true and correct; and that Tower will suffer no loss, damage or expense of any character, including attorney's fees and expenses, as a result of making such representations and warranties. It is understood and agreed that Louis and William shall have no liability to Tower by reason of any liability which Tower may incur under the provisions of Section 11(b) of the Purchase Agreement.

(b) Louis and William further represent and warrant that any representations and warranties concerning the aforesaid corporations (except as indicated in Paragraph (a) of this Section 6) made in any certificates or letters delivered by officers of Tower at the Closing of the Purchase Agreement, if such certificates or letters are delivered with the written consent of Louis and William, will be true and correct and that

Tower will suffer no loss, damage or expense, including attorney's fees and expenses, as a result of delivering such certificates or letters insofar as they relate to the aforesaid corporations.

(c) Notwithstanding the release of claims and demands set forth in Section 2 hereof, the representations and warranties of Louis and William in Paragraphs (a) and (b) of this Section 6 shall be applicable regardless of the time of occurrence of the events or state of facts as a result of which the representations and warranties in Section 1 of the Purchase Agreement are not true and correct.

(d) Louis and William further agree to cross-indemnify Tower against any liability which Tower may incur under the provisions of Section 11 (a) of the Purchase Agreement.

(e) For the purposes of this paragraph, offsets made against the Secured Note referred to in the Purchase Agreement shall be considered as a loss, damage or liability incurred by Tower, except insofar as such offsets arise out of a claim against Tower under Section 11(b) of the Purchase Agreement.

(f) Notwithstanding anything contained in the foregoing provisions of this Section 6, Louis and William shall have no liability or responsibility of any character to Tower by reason of any liability which Tower may incur as the result of an undisclosed liability of Tom Duffy Travel Service Inc., Percival Tours, Inc., Travel, Inc., Westheim Travel Service Inc., or Westheim Travel Service Inc. of Stamford which arose out of acts or omissions occurring prior to the acquisition of control of the respective corporation by Tower and of which neither Louis nor William had actual knowledge prior to the date hereof, and which they did not disclose to officers or directors of Tower.

7. William does hereby release Tower from any and all claims or demands, past, present or future, of any character which he has or may have against Tower pursuant to the Employment Agreement dated November 1,1961 referred to in the recitals to this Agreement.

8. Any controversy or claim arising out of or relating to this Agreement or the breach thereof shall be settled by arbitration, such arbitration to be held in New York City in accordance with the rules of the American Arbitration Association and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

9. All rights and remedies of Tower hereunder and under any other document made pursuant to or incidental to this Agreement or otherwise shall be cumulative and severable. The exercise by Tower of any one or more rights or remedies hereunder or thereunder shall not preclude Tower from exercising any other of such rights or remedies hereunder or thereunder at the same or any other time or times; nor shall the invalidity of any term or provision hereof or of any such document or instrument render invalid any other term or provision thereof or hereof.

10. All notices, requests, consents and other communications hereunder shall be in writing and shall be delivered by hand or mailed by registered or certified mail, postage prepaid, addressed as follows:

If to Tower:

Tower Universal Corporation
331 Madison Avenue
New York, N.Y.

with a copy to: Strasser, Spiegelberg, Fried & Frank
120 Broadway
New York, N.Y.

If to Fugazy:

President,
Fugazy Travel Bureau Inc.
351 6th Avenue
New York, N.Y.

with a copy to: Kramer, Marx, Greenlee & Backus
29 Broadway
New York, N.Y.

If to Louis or William Fugazy:

c/o Fugazy Travel Bureau Inc.
351 6th Avenue
New York, N.Y.

with a copy to: Joseph F. Romano, Esq.
277 Broadway
New York, N.Y.

Any party shall have the right to specify in writing a change of address to which subsequent notices to such parties shall be given.

11. This Agreement supersedes all prior negotiations and contains the entire understanding between the parties. It may be modified only in writing signed by the party against whom the modification is asserted.

12. This Agreement shall be interpreted in accordance with the laws of the State of New York.

13. This Agreement shall inure to the benefit of and be binding upon the heirs, successors and assigns of the respective parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this day of February, 1963.

FUGAZY TRAVEL BUREAU INC.

By _____

ATTEST:

_____

_____
LOUIS V. FUGAZY

_____
WILLIAM S. FUGAZY

TOWER UNIVERSAL CORPORATION

By _____

ATTEST:

_____

DEFT EXH K

A-816
DEFENDANTS' EXHIBIT K

Assignment

KNOW ALL MEN BY THESE PRESENTS, that GEORGE E. ALLEN, as Successor Trustee in Proceedings for the Reorganization of Corporations in the United States District Court for the Middle District of Florida, Tampa Division, In the Matter of Tower Credit Corporation, a Delaware corporation, and Consumer Credit Corporation, a Florida corporation, et al, Debtors, No. 66-171-Bky-T (hereinafter called the "Assignor"), for and in consideration of the sum of One Dollar ($1) lawful money of the United States of America to him in hand paid by MARX & CO., INC., a New York corporation (hereinafter called the "Assignee"), and other good and valuable consideration, the receipt whereof is hereby acknowledged, has sold, assigned, transferred and set over, and by these presents does hereby sell, assign, transfer and set over unto the Assignee, its successors and assigns, without recourse, all claims which the Assignor now has or may at any time hereafter have against William D. Fugazy and Louis V. Fugazy, including, without limitation, all rights which the Assignor now has or may at any time hereafter have against William D. Fugazy and Louis V. Fugazy under or arising out of the Agreement dated as of February 15, 1963 (hereinafter called the "Tower-Fugazy Agreement"), by and among Fugazy Travel Bureau, Inc., a New York corporation, Louis V. Fugazy, William D. Fugazy and Tower Universal Corporation, a Delaware corporation, as amended, and all rights which the Assignor now has or may at any time hereafter have in and to any and all shares of stock of Tower Credit Corporation owned by William D. Fugazy and Louis V. Fugazy and held by the Assignor as collateral security for the obligations of William D. Fugazy and Louis V. Fugazy under the Tower-Fugazy Agreement.

This Assignment shall be construed in accordance with and governed by the laws of the State of New York.

This Assignment may not be changed orally but only by an instrument in writing signed by the person against whom enforcement of any waiver, change, modification or discharge is sought.

This Assignment may be executed in any number of counterparts, each of which for all purposes shall be deemed to be an original.

IN WITNESS WHEREOF, the said GEORGE E. ALLEN, as Successor Trustee as aforesaid, has hereunto set his hand and seal the 22 day of August, 1967.

George E. Allen (L.S.)
George E. Allen, as Successor Trustee of Tower Credit Corporation, et al.

STATE OF NEW YORK)
: ss.
COUNTY OF NEW YORK)

On the 22 day of August, 1967, before me personally came GEORGE E. ALLEN, to me known and known to me to be the individual described in, and who executed, the foregoing instrument, and he duly acknowledged to me that he executed the same.

Robert K. Adikes
Notary Public

ROBERT K. ADIKES
Notary Public, State of New York
No. 31-0019350
Qualified in New York County
Cert. filed with Queens Co. Clk
Commission Expires March 30, 1969

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DEFENDANTS' EXHIBIT P

Δ EXH P

MARX & CO., INC.
40 WALL STREET
NEW YORK, NEW YORK 10005

August 22, 1969

Mr. Julian L. Weber
Botein, Hays, Sklar & Herzberg
200 Park Avenue
New York, N.Y. 10017

Dear Julian:

I received your two letters dated August 22nd, one which discusses my letter of August 21st to Mr. Alfred Bloomingdale concerning payment by F T Ventures, Inc. of one-half of the expenses of the proposed registration.

I wish it clearly understood that I have not the least intention of paying any bills at any time in reference to this registration if I do not approve the amounts. You requested me previously to pay one half of an amount of approximately $70,000 which you maintained was accurate. Within a relatively short time you reassessed these bills to $56,000. Hence this would indicate that the payment of bills is not as simple as you would make it out to be.

As I indicated to Mr. Bloomingdale, I will personally guarantee that one half of the bills of this registration will be paid by me and/or my associates if and when they are jointly approved by both of us.

Very truly yours,

Otto Marx, Jr.

cc: Messrs. Wm. D. Fugazy
Louis Fugazy
Alfred S. Bloomingdale
John V. Summerlin

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DEFENDANTS' EXHIBIT NN

November 5, 1969

The Securities and Exchange Commission
Washington, D.C. 20549

Gentlemen:

This letter is submitted in response to one of the comments of the Division of Corporation Finance relating to the Registration Statement on Form S-1 of this Company filed on August 28, 1969 (Registration No. 2-3442) and also relating to this Company's preliminary proxy materials submitted to the Division on October 20, 1969 (File No. 1-3994). The comments were made by V.J. Lavernoich, Esq. in a telephone conversation on October 31, 1969 with Julian L. Weber, Esq. and Lawrence I. List, Esq. of Dotein, Hays, Sklar & Herzberg, counsel for this Company.

The particular comment to which this letter is directed requested support for this Company's opinion that amortization of the intangibles on this Company's balance sheet dated March 31, 1969, in the amount of $14,483,000 (less $2,400,000 related to the travel business), is not necessary.

The intangibles are related to divisions as follows:

Credit Card Division	$ 6,402,000
Travel Division	3,256,000
Collection Agency Division	4,765,000
	$14,483,000

Credit Card Division

$4,275,000 in intangibles relates to the acquisition of the business of Sheraton Central Credit Corporation. This acquisition made it possible to have our card accepted for the first time by a major hotel chain and enabled the Company to expand substantially the scope of its hotel facilities coverage and thereby materially enhanced the usefulness of the Diners Club card to members.

$1,741,000 relates to the excess of the purchase price over the net book value of the majority interest in the Company's franchise in

Great Britain. The results of this Company's operations have continued to improve since acquisition, and are satisfactory in spite of the adverse effect of the Exchange Control Regulations of the British Government. The Company believes the Exchange Control Regulations will be a relatively temporary condition and anticipates continued improvements in the operations of this Company.

The remainder of $446,000 relates to a number of other companies in the Credit Card Dvision.

Travel Division
$2,325,000 relates to the acquisition of Diners Fugazy Travel, Inc., which amount is being amortised. This item primarily relates to the franchising of retail travel agencies.

The balance of $921,000 of intangibles relating primarily to wholesale travel operations is not being amortised.

In addition the Company believes that the royalties from its franchised operations, while insignificant at present, could become material in the future after these franchises have had an opportunity to develop.

Collection Agency Group
$3,207,000 in intangibles relates to the excess of the purchase price over the net assets acquired from the Company's purchase of National Accounts Systems, Inc. and Creditors Service, Inc. Subsequent to those acquisitions, the Company commenced a program of establishing a nationwide collection agency operation through internal expansion and acquisitions.

The balance of $1,558,000 relates to the excess of the purchase price over net assets acquired, of a number of local collection agencies.

The operating results of this group to date have been less satisfactory than anticipated primarily because of the following: (1) the one time cost relating to the establishment of a standard operating system for all of the companies in this group and (2) the adverse effect on collection volume of current tight money market condition.

Of the $14,483,000 of intangibles, $2,325,000 relates to Diners Fugazy Travel,Inc. This intangible is considered to have a Limited life and accordingly is being amortized,

The remaining balance of $12,158,000 will not be amortized until it becomes reasonably evident that the useful term of such intangibles has become limited. In such event, it will be amortized over the estimated remaining period of usefulness. Such treatment is in accordance with pronouncements of the American Institute of Certified Public Accountants, and further, our auditors, Touche Ross and Company, concur in this treatment.

Since the comment to which this letter has been directed indicated that clearance of the financial statements in the proxy materials would be dependent upon your agreement with the position expressed herein, we would appreciate your telephoning Mr. Weber or Mr. List if any discussion is necessary concerning this letter.

Because of the very tight time schedule presently applicable to the proxy material, we would greatly appreciate your expeditious review of this letter.

Very truly yours,

THE DINERS' CLUB, INC.

By S/Jules T. Asch
Jules T. Asch
Senior Executive Vice President-Finance

JTA:rm

cc: V.J. Lavernoich, Esq., Securities and Exchange Commission, Washington, D.C.
Mr. James Ford, Securities and Exchange Commission, Washington, D.C.

bcc: Edwin Heft - Touche Ross & Co.
Julian Weber - Botein, Hays, Sklar & Herzberg

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Δ EXH PP

DEFENDANTS' EXHIBIT PP

November 11, 1969

The Securities and Exchange Commission
Washington, D.C. 20549

Gentlemen:

This letter is submitted in response to the further comments of Mr. James Ford of the Securities and Exchange Commission. These comments relate to the Company's proxy materials submitted to the Division on October 20, 1969 (File #1-3994), as well as to the comments relative to the Company's letter of November 5, 1969, covering the intangibles appearing on the Company's balance sheet.

It should be noted that all of the goodwill reflected on the Company's books was as a result of acquisitions made in accordance with a planned program developed by the management of the Company. These acquisitions, which were arms length transactions with third parties, involved the addition of major hotel credit card charge facilities, as well as the Company's entry into the travel and collection agency industries.

Credit Card Division

$4,275,000. As we have previously advised, this item related to the acquisition of the business of Sheraton Central Credit Corporation in 1958. The acceptance of the Diners' Club card by a national chain of major hotels was certainly one of the most significant developments in the history of the Company in terms of acceptability of the card by establishments, the increased use of the card by members, and the continued success of the credit card as a credit instrument in all phases of travel, entertainment, accommodations and related services. In addition, the Company's major competitor is very closely related to the hotel industry and in fact its entry into the credit card business in 1958 was marked by pronounced strength in its affiliation with major hotels. The acquisition of the Sheraton Central Credit Corporation enables the Company to compete quite successfully in credit card services in the hotel field, and, as a result, to a larger extent in the overall credit card industry. In addition to the entry into the hotel field, through the Sheraton Central transaction, the Company acquired a significant number of cardholders who have (a) paid membership dues during the past years, (b) helped by word of mouth to promote the Company's credit card to prospective members and (c) to use the card at the Company's member establishments thereby increasing the importance

and acceptance of the card. All of the above helped the Company attain and maintain its present position as a leader in the credit card industry.

The Company's position as relates to the hotel segment of the credit card industry has grown steadily since the aforementioned acquisition. The area continues to be a source of significant revenues to the Company and in the opinion of management will continue to be an important factor in the future.

$1,741,000. In December 1965, the Company purchased approximately 56% of the outstanding stock of The Diners Club Ltd. The remaining 44% was purchased by a major British bank. Shortly thereafter the Company sold to the British bank approximately 6% of the outstanding stock at a price equal to its cost. This resulted in the present ownership which consists of the Company having 50% plus 1 share and the balance owned by the British bank.

At the time of acquisition, the Diners' Club Ltd. had annual earnings of £60,000 and its cardholders numbered 38,000. Today, Diners' Club Ltd's earnings are at the annual rate of £80,000 and its cardholders number 84,000. Further, as a result of this acquisition, we developed the aforementioned partnership with a major British bank. This partnership was the first significant relationship of its kind for the Company and paved the way for similar partnerships throughout the world with other major banks. In an international financial business such as ours, where the availability of money is of utmost importance, having financial institutions as partners cannot be too strongly emphasized.

Collection Agency Group

$4,765,000. Approximately two years ago the Company's management made a decision to enter the collection agency business. The objective was not only to enter into the business but also to become a significant factor in the industry in a relatively short period of time. The program contemplated the creation of a nationwide network of collection agencies, fully automated and capable of handling business from large and significant organizations. Towards this end, the Company made thirteen separate acquisitions of existing collection organizations in the period from July 1967 to November 1968. As soon as this acquisition program was substantially completed, the Company commenced the operation of molding these separate companies into a cohesive, automated unit functioning in accordance with uniform operating systems and procedures. As one can appreciate, the job of consolidating all of these companies and standardizing their operating systems involved a significant expenditure both from the

point of view of systems design, programming, enlarged computer facilites, and related expenses as well as the necessity for expanding management capabilities to operate, administer and coordinate the large network of offices. The bulk of these expenditures, which have been largely completed at this time, were not capitalized on the Company's books but instead were expensed as incurred. This, of course, resulted in a reduction in earnings of the collection agency group.

In addition, as was noted in our letter of November 5, 1969, there has been an adverse effect on collection volume due to the current tight money market conditions. We believe, after talking to knowledgeable people in the banking community, that this tight money situation is a temporary condition that should to a large extent correct itself in the not distant future. When this correction occurs, the profitability of the group will be significantly improved.

The Company believes that the future of the collection agency business is virtually unlimited from the point of view of volume and profits. With the economy gearing itself more and more to credit sales as opposed to cash sales, the reliance on the collection agency industry, by the business community should certainly bring about the results we are anticipating. Finally, the collection agency network which we have developed, puts the Company in a position of being a leader in the industry.

Travel Division

$3,256,000. The Company's entry into the travel field was a natural extension of the credit card business which not only broadened the scope of the operations, but provided important travel facilities for Diners Club cardholders. The acquisitions in this division were made at the end of 1967 and during the year 1968.

We have previously advised you that approximately $2.3 million of the above intangible is being amortized. The remaining $1.0 million concerns the acquisition of four separate companies, three of which account for $900,000 of this intangible. The three aforementioned companies are presently earning at a satisfactory rate, although one of the three showed a loss for the prior fiscal year. This loss was caused primarily by two factors: (a) the Federal Government's restriction on travel outside of the U.S. and (b) the relatively high turnover of personnel immediately following our acquisition. We believe that the adverse effects of these problems have been largely corrected.

The Company believes that the future of the travel business is indeed very bright. Industry sources project that the $39 billion now spent for travel each year could rise to as much as $75 billion by 1975. Among the beneficiaries of the growing amount of travel are travel agencies, and credit-card companies. The Company fully expects to continue to be a leader in this industry.

Very truly yours,

THE DINERS' CLUB, INC.

by: Jules T. Asch

Jules T. Asch
Senior Executive Vice President-
Finance

JTA/mfa

A-826
DEFENDANTS'
EXHIBIT XX

EXH XX

AGREEMENT, Dated as of the 14th day of June, 1967, by and between FUGAZY TRAVEL BUREAU, INC., a New York corporation with its principal office at 488 Madison Avenue, New York, New York (hereinafter called "Fugazy New York") and TRAVELCO, INC., a New York corporation with its principal office at

(hereinafter called "Travelco");

W I T N E S S E T H :

WHEREAS, Fugazy New York is the owner of all of the outstanding capital stock of Fugazy Travel Bureau, Inc. of Illinois, an Illinois corporation (hereinafter called"Fugazy Illinois"); and

WHEREAS, Fugazy New York owns and operates a branch travel agency at 16 West 46th Street, New York, New York (hereinafter referred to as "Branch"); and

WHEREAS, Fugazy New York will, upon the execution of this agreement transfer all of its right, title and interest in and to the assets of the Branch, and certain other rights and privileges as more fully set forth herein to Fugazy Illinois and

WHEREAS, Travelco desires to acquire an option to purchase from Fugazy New York all of the shares of capital stock of Fugazy Illinois issued and outstanding on the effective date as that term is hereinafter defined;

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

1. Grant of Option: Fugazy New York hereby grants

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to Travelco an irrevocable option exercisable

or prior to June 30, 1972, to purchase all of the then issued and outstanding shares of Fugazy Illinois on the terms and conditions hereinafter set forth.

2. Option Price: In consideration of the grant of the option provided in Paragraph 1 above, Travelco shall pay to Fugazy New York simultaneously with the execution hereof the sum of Seventy-five Thousand ($75,000.00) Dollars, by certified or bank cashier's check in New York funds.

amended 6/22/67

3. Exercise of Option:

(a) At such time as Travelco desires to exercise the option granted to it hereunder it shall deliver to Fugazy New York written notice of its election to exercise said option and to acquire the then issued and outstanding shares of Fugazy Illinois. Such written notice shall specify the date said exercise shall become effective (said date hereinafter called the "Effective Date"), which date shall be a date on or prior to June 30, 1972. On or before the Effective Date, Travelco shall simultaneously therewith cause Fugazy Illinois to pay to Fugazy New York an amount equal to the amount of capital paid or contributed in cash by Fugazy New York to Fugazy Illinois plus all monies loaned to Fugazy Illinois by Fugazy New York remaining unpaid as of said Effective Date.

(b) In the event that upon the Effective Date Fugazy Illinois shall prepay to Fugazy New York the sum of $175,000.00 payable pursuant to the provisions of Paragraph 8(a) of a certain Management Agreement, to be entered into between Fugazy

amended 6/22/67

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New York and Fugazy Illinois upon the [illegible]
(hereinafter called the "Management Contract", a copy of which is annexed hereto as Exhibit C), then Fugazy New York shall deliver to Travelco on the Effective Date certificates of stock representing all of the then issued and outstanding shares of stock of Fugazy Illinois duly endorsed in blank with all requisite stock transfer stamps affixed.

(c) In the event that upon the Effective Date Fugazy Illinois has not repaid the amount described in Subparagraph (b) of this Paragraph 3, then in such event Fugazy New York shall deliver the certificates of stock representing all of the then issued and outstanding shares of stock of Fugazy Illinois, duly endorsed in blank with all requisite stock transfer stamps affixed, to the law firm of Kramer, Marx, Greenlee and Backus, Esqs., 29 Broadway, New York, New York, to be held in escrow until said sum of $175,000.00 has been paid in full, at which time all such certificates shall be delivered to Travelco.

4. Representations by Fugazy New York: Fugazy New York represents and warrants to Travelco:

(a) That as of the date hereof, Fugazy New York is and on the Effective Date shall be a stock corporation duly organized and existing under the laws of the State of New York

(b) That neither the execution and delivery of this Agreement nor the consummation of the transactions provided for herein will constitute a violation of, or be in conflict

with, or constitute a default under, any term or provision of the Articles of Incorporation or By-Laws of Fugazy New York or of any contract to which Fugazy New York is a party.

(c) That the execution and delivery of this Agreement has been duly authorized by appropriate action of the Board of Directors of Fugazy New York.

(d) That on the Effective Date Fugazy New York will be the owner of and have good and marketable title to and have the full right to sell and transfer the then issued and outstanding shares of Fugazy Illinois and that said shares shall be fully paid and non-assessable and will not be subject to any lien, pledge, debt or other title retention agreement, or any other encumbrance.

(e) That the travel agency business of the New York Office operated by Fugazy New York presently has valid appointments in good standing in IATA, ATC, TAPC TFFC and RTPA, and none of such appointments has ever been cancelled by the appointing authority and that such appointments constitute all the appointments which Fugazy New York now has in connection with the operation of its travel agency business in New York.

5. Representations by Travelco: Travelco represents and warrants to Fugazy New York that as of the date hereof:

(a) Travelco is a stock corporation duly organized and existing under the laws of the State of New York.

(b) The execution and delivery of this Agreement has been authorized by the appropriate action of the Board of Directors of Travelco.

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(c) Neither the execution and delivery of this Agreement nor the consummation of the transactions provided for herein will constitute a violation of, or be in conflict with, or constitute a default under, any term or provision of the Articles of Incorporation or By-Laws of Travelco or of any contract to which Travelco is a party.

6. Opinions of Counsel: Simultaneously with the execution hereof, Travelco shall deliver to Fugazy New York the opinion of its counsel, dated as of the date hereof, to the effect set forth in Exhibit A annexed hereto and Fugazy New York shall deliver to Travelco the opinion of its counsel, dated as of the date hereof, to the effect set forth in Exhibit B annexed hereto.

7. Additional Agreements of Travelco:

(a) Simultaneously with the exercise of the option granted hereunder, Travelco shall cause Fugazy Illinois to apply for its own transportation conference appointments. Fugazy New York agrees to cooperate with Fugazy Illinois in the application therefor and the transfer of said conference appointments to Fugazy Illinois.

(b) Travelco agrees that during the option period hereunder and during the period the Management Contract is in effect, whichever is later, no substantial change in the control of Travelco shall be made without the written consent of Fugazy New York, which consent shall not be unreasonably withheld.

8. Additional Agreements of Fugazy New York:

~~(a) Promptly upon the consummation of this agreement~~

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(a)(~~i~~) Pursuant to the provisions of the Management Agreement Fugazy Illinois will be authorized by Fugazy New York. to use and operate under the trade name "Fugazy Travel Bureau" in connection with the operation of a retail travel business in the portion of New York City described in Exhibit A to the Management Contract. In addition, Fugazy Illinois will be granted the non-exclusive right to use in connection with its business the trade marks, copyrights, heralds, insignia, signs and the slogan "Established 1870" now and heretofore and hereafter used and identified with Fugazy New York's business. It is the express intention of the parties that Fugazy Illinois shall continue to enjoy such rights during the option period and from and after the exercise of the option granted hereunder to Travelco; and, accordingly, Fugazy New York agrees that it shall not, during the period the option granted hereunder remains in effect, amend, modify, alter or cancel the Management Contract without the express written consent of Travelco.

(b)(~~ii~~) During the period the option granted hereunder remains in effect, Fugazy New York agrees that Travelco shall have the right to designate two (?) directors to the Board of

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that five (5) directors shall constitute the Board of Directors of Fugazy Illinois and that such number of directors shall not be increased without the written consent of Travelco. In addition, Fugazy New York agrees that Fugazy Illinois shall employ William D. Fugazy, who shall be elected President of Fugazy Illinois and shall have charge of the day to day operations of Fugazy Illinois, subject to the general supervision of the Board of Directors of Fugazy Illinois.

(c) During the period the option granted hereunder remains in effect, Fugazy New York shall furnish to Travelco within forty-five (45) days after the end of each calendar quarter a balance sheet for such quarter of Fugazy Illinois together with a statement of profit and loss thereof, which shall be prepared in accordance with generally accepted accounting principles consistently applied throughout. Within one hundred twenty (120) days after the end of each fiscal year of Fugazy Illinois, Fugazy New York shall furnish to Travelco a balance sheet of Fugazy Illinois for such fiscal year together with a statement of profit and loss for said year, certified by a certified public accountant, who shall be independent unless Travelco consents thereto in writing.

(d) Fugazy New York agrees that Fugazy Illinois shall be initially capitalized for Ten Thousand Dollars ($10,000 and shall be authorized to issue not in excess of 1,000 shares of stock, all of which shares shall be issued to Fugazy New York During the period the option granted hereunder remains in effect

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Fugazy New York further agrees that Fugazy Illinois shall not be authorized to issue any additional shares without the written consent of Travelco and in the event any such additional shares are authorized they shall be issuable only to Fugazy New York and shall thereupon become subject to the option granted hereunder.

(e) During the period the option granted hereunder remains in effect, Fugazy New York agrees that Fugazy Illinois shall not assume or be responsible for any obligations of Fugazy New York, by guarantee or otherwise without the written consent of Travelco except as otherwise specifically provided herein or in the Management Contract.

(f) During the period the option granted hereunder remains in effect, Fugazy New York agrees that Fugazy Illinois shall not declare any dividends without the written consent of Travelco, and Fugazy New York agrees that Fugazy Illinois shall not prepay any amounts payable under Sub-paragraph (a) of Paragraph 8 of the Management Contract without the written consent of Travelco.

(g) During the period the option granted hereunder remains in effect, Fugazy New York agrees that no officer, director or stockholder of Fugazy New York or any of their relatives shall be employed by Fugazy Illinois without the written consent of Travelco.

9. Events of Default by Travelco: In the event

(a) Travelco breaches this Agreement in any material

respect and said breach is not cured within twenty (20) days after written notice thereof by Fugazy New York, or (b) Fugazy Illinois fails to make payments to Fugazy New York pursuant to Sub-paragraph (a) of Paragraph 8 of the Management Contract and Travelco does not within twenty (20) days after written notice thereof pay to Fugazy New York an amount equal to the amount Fugazy New York would be entitled to under said Sub-paragraph (a) of Paragraph 8 of the Management Contract, Fugazy New York shall have the right to terminate this Agreement and the option granted hereunder by written notice to Travelco of such termination. Thereafter, neither party hereto shall have any further liability to the other hereunder.

10. Additional Right of Travelco: In the event Fugazy New York is adjudicated a bankrupt, Travelco shall have the right to exercise its option granted hereunder at any time thereafter without making any further payments to Fugazy New York under this Agreement or under the Management Agreement and thereupon this Agreement shall terminate and neither party hereto shall have any further liability to the other hereunder.

11. Assignability: Neither this Agreement nor the option granted by Fugazy New York to Travelco hereunder shall be assignable by Travelco without the written consent of Fugazy New York.

12. Brokers: Travelco and Fugazy New York each represent to the other that neither has employed any other broker or entered into any other agreements for the payment of any similar fees, compensation or expense to any other person, firm or

corporation in connection with this transaction.

13. Notices: Any notice required or permitted by any provision of this Agreement shall be deemed to have been sufficiently given or served for all purposes if sent by registered mail, postage and registered charges prepaid, addressed as follows:

If to Fugazy New York, to
Fugazy Travel Bureau, Inc.
488 Madison Avenue
New York, New York
Attention of Mr. Otto Marx, Jr.

with a copy to Messrs. Kramer, Marx, Greenlee & Backus
29 Broadway
New York, New York 10006

or to any other address or addresses as shall be designated from time to time by Fugazy New York.

If to Travelco, to
Travelco, Inc.

Attention of Mr. William D. Fugazy,

with a copy to Gary S. Stein, Esq.
E. 64 Ridgewood Avenue
Paramus, New Jersey 07652

or to any other address or addresses as shall be designated from time to time by Travelco. All notices shall be deemed to have been given on the date of the receipt.

14. Counterparts: This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be an original, but all such counterparts shall constitute one and the same instrument.

15. Entire Agreement: This Agreement supersedes all

prior agreements and understandings between the parties and may not be changed or terminated orally, and no attempted change, termination or waiver of any of the provisions hereof shall be binding unless in writing and signed by the party against whom the same is sought to be enforced.

16. Law Governing: This Agreement shall be governed by and construed according to the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

FUGAZY TRAVEL BUREAU, INC.

By _____

TRAVELCO, INC.

By _____

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 19th day of June, 1967,
before me personally came Irwin Fruchtman
to me known, who being by me duly sworn, did depose and say that he resides
at Toledo, Ohio
that he is an officer
of TRAVELCO, INC., the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed thereto by said corporation is such seal; that it was affixed thereto by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

S/ Milton Adler
Notary Public

Milton Adler
NOTARY PUBLIC, State of New York
No. 41-4021750-Queens County
Term Expires March 30, 1969

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 19th day of June, 1967
before me personally came Otto Marx, Jr.
to me known, who being by me duly sworn, did depose and say that he resides
at 2 E 85th St., NYC, NY
that he is Chairman of the Board
of FUGAZY TRAVEL BUREAU, INC. the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed thereto by said corporation is such seal; that it was affixed thereto by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

S/ Milton Adler
Notary Public

Milton Adler
NOTARY PUBLIC, State of New York
No. 41-4021750-Queens County
Term Expires March 30, 1969

EXHIBIT A

(Form of Opinion of Counsel of Travelco)

June , 1967

Fugazy Travel Bureau, Inc.
488 Madison Avenue
New York, New York

Gentlemen:

We are counsel to Travelco, Inc. ("Travelco"), a New York corporation. This opinion is given by us as counsel to Travelco pursuant to the provisions of an agreement dated as of June , 1967 ("Agreement") between Travelco and you.

Based upon the examination of such documents and instruments as we considered necessary and upon discussions with Travelco's officers and directors, you are advised it is our opinion that:

1. Travelco is a corporation duly organized, validly existing and in good standing under the laws of the State of New York and with full corporate power and authority to carry on its business and to enter into and perform its obligations under this Agreement.

2. The Agreement has been duly authorized, executed and delivered by Travelco and is the valid and binding Agreement of Travelco in accordance with its terms.

Very truly yours,

EXHIBIT B

(Opinion of Counsel for Fugazy New York)

June , 1967

Travelco, Inc.
c/o Gary Stein, Esq.
East 64 Ridgewood Avenue
Paramus, New Jersey 07652

Attention of Mr. William D. Fugazy

Dear Sirs:

We have acted as counsel for Fugazy Travel Bureau, Inc. (hereinafter called "Fugazy New York"), a New York corporation, in connection with its grant to you of an option to purchase all of the issued and outstanding shares of stock of its wholly owned subsidiary Fugazy Travel Bureau of Illinois, Inc. (hereinafter called "Fugazy Illinois"), an Illinois corporation, pursuant to an Agreement between Fugazy New York and Travelco, Inc. dated as of June , 1967 (hereinafter called the "Agreement").

As such counsel, based upon our examination of such documents, certificates, records, authorizations and consents as we have deemed relevant, it is our opinion:

1. Fugazy New York is a corporation duly organized, validly existing and in good standing under the laws of the State of New York and has full corporate power and authority to carry on its business and to enter into, and perform its obligations under the Agreement and its agreement with Fugazy Illinois dated June , 1967 (hereinafter called the "Management Contract").

2. Fugazy Illinois is a corporation duly organized, validly existing and in good standing under the laws of the State of Illinois and has full corporate power and authority to carry on its business and to enter into and perform its obligations under the Management Contract.

3. Fugazy Illinois is duly and validly authorized to issue 1,000 shares of Common Stock, par value $10.00 per share, all of which shares have been duly and validly issued to Fugazy New York and are fully paid and non-assessable.

4. The Agreement and the Management Contract have been duly authorized, executed and delivered by Fugazy New York and are valid and binding obligation of Fugazy New York in accordance with their respective terms. The Management Contract has been duly authorized, executed and delivered by Fugazy Illinois and is the valid and binding obligation of Fugazy Illinois in accordance with its terms.

5. The execution and delivery of the Agreement and the Management Contract by Fugazy New York and the consummation of the respective transactions provided for therein will not constitute a violation of, or be in conflict with, or constitute a default under, any term or provision of the Articles of Incorporation or By-Laws of Fugazy New York, or of any contract to which Fugazy New York is a party.

6. The execution and delivery of the Management Contract and the consummation of the transactions provided for therein will not constitute a violation of, or be in conflict with, or constitute a default under, any term or provision of the Articles of Incorporation or By-Laws of Fugazy Illinois or of any contract to which Fugazy Illinois is a party.

7. The sale to Fugazy Illinois by Fugazy New York of all of the assets and business of the branch travel agency of Fugazy New York conducted in the premises located at No. 16 West 46th Street, New York, New York 10036, has been duly authorized by all necessary corporate action and the bills of sale and other instruments delivered by Fugazy New York to Fugazy Illinois have been duly authorized, executed, acknowledged and delivered and are effective to vest in Fugazy Illinois good and valid title to such assets and business. However, we have made no independent examination as to the existence of any liens and encumbrances on said assets and therefore express no opinion as to the existence of such liens and encumbrances.

Yours very truly,

EXHIBIT C

AGREEMENT, dated as of the 19th day of June, 1967, by and between FUGAZY TRAVEL BUREAU, INC., a New York corporation with its principal office at 488 Madison Avenue, New York, N.Y. (hereinafter called "Fugazy New York") and FUGAZY TRAVEL BUREAU OF ILLINOIS, INC., an Illinois corporation with its principal office at 332 South Michigan Street, Chicago, Illinois (hereinafter called "Fugazy Illinois");

WITNESSETH:

WHEREAS, Fugazy Illinois is the wholly owned subsidiary of Fugazy New York and is duly qualified to do business as a travel agency in the State of New York; and

WHEREAS, Fugazy Illinois desires to enter into a management services agreement with Fugazy New York whereby Fugazy Illinois shall manage and operate the branch travel agency owned by Fugazy New York at 16 West 46th Street, New York, New York (hereinafter referred to as "Branch") and Fugazy New York will provide management supervision and services to Fugazy Illinois and made available to Fugazy Illinois the benefit of its know-how and methods of conducting a travel agency and certain other rights and interests as more fully set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

1. Fugazy Illinois Management: During the term of this agreement Fugazy Illinois shall manage and operate the business of the Branch under the name "Fugazy Travel Bureau" and shall conduct its operations with the organizational efficiency and high standards of work maintained in other branch travel agencies operated by Fugazy New York; and Fugazy Illinois agrees therefore during the term of this agreement:

(a) To maintain an adequate staff to operate the business of the branch.

(b) To maintain in full force and effect substantially the same insurance coverage presently in effect in the Branch with respect to the employees therein and the business thereof.

(c) To pay all expenses incurred in the operation of the Branch including, but not limited to, rent, taxes, insurance, postage, telephones and the salaries of its employees therein.

(d) So long as Fugazy Illinois does not have its own conference appointments, to remit to Fugazy New York at least two (2) business days prior to the date payment is due the airlines, the net payments due the airlines for airline tickets sold by the Branch, which payments will then be made by Fugazy New York to the airlines; and remit any deposit or payment in full received from customers and payable in the ordinary course of business directly to the carrier (other than airlines), hotel, motel, insurance company, car rental or sales company, or the agent of any of them entitled thereto.

(e) To maintain a bank account or accounts in a bank in New York City in the name of Fugazy Illinois, as to which the signing authorities shall

be approved by Fugazy New York and into which all monies received by the Branch shall be deposited and out of which all expenses, other remittances and payments hereunder shall be made.

(f) To provide to the Branch at all times during the terms of this agreement working capital sufficient to carry on the business and operations of the Branch.

(g) To indemnify and hold Fugazy New York harmless against any claim or liabilities incurred by or relating to the Branch including, but not limited to, rent, taxes, insurance, postage, telephones and salaries of the employees of the Branch.

(h) To promote and sell the package tour offerings of Dial-A-Tour and Fugazy New York in preference to any other competitive package tour offerings and to arrange all group tours of 25 persons or more through Fugazy New York.

2. Fugazy New York Management Services: During the term of this agreement Fugazy New York:

(a) Shall furnish supervisory and consulting services to Fugazy Illinois affording the benefits of Fugazy New York's accumulated experience and "know-how" with respect to the correct and most efficient methods and techniques of conducting a tour and travel agency business, including services and instruction with respect to advertising programs, personnel recruitment, customer relationships and bookkeeping and accounting methods.

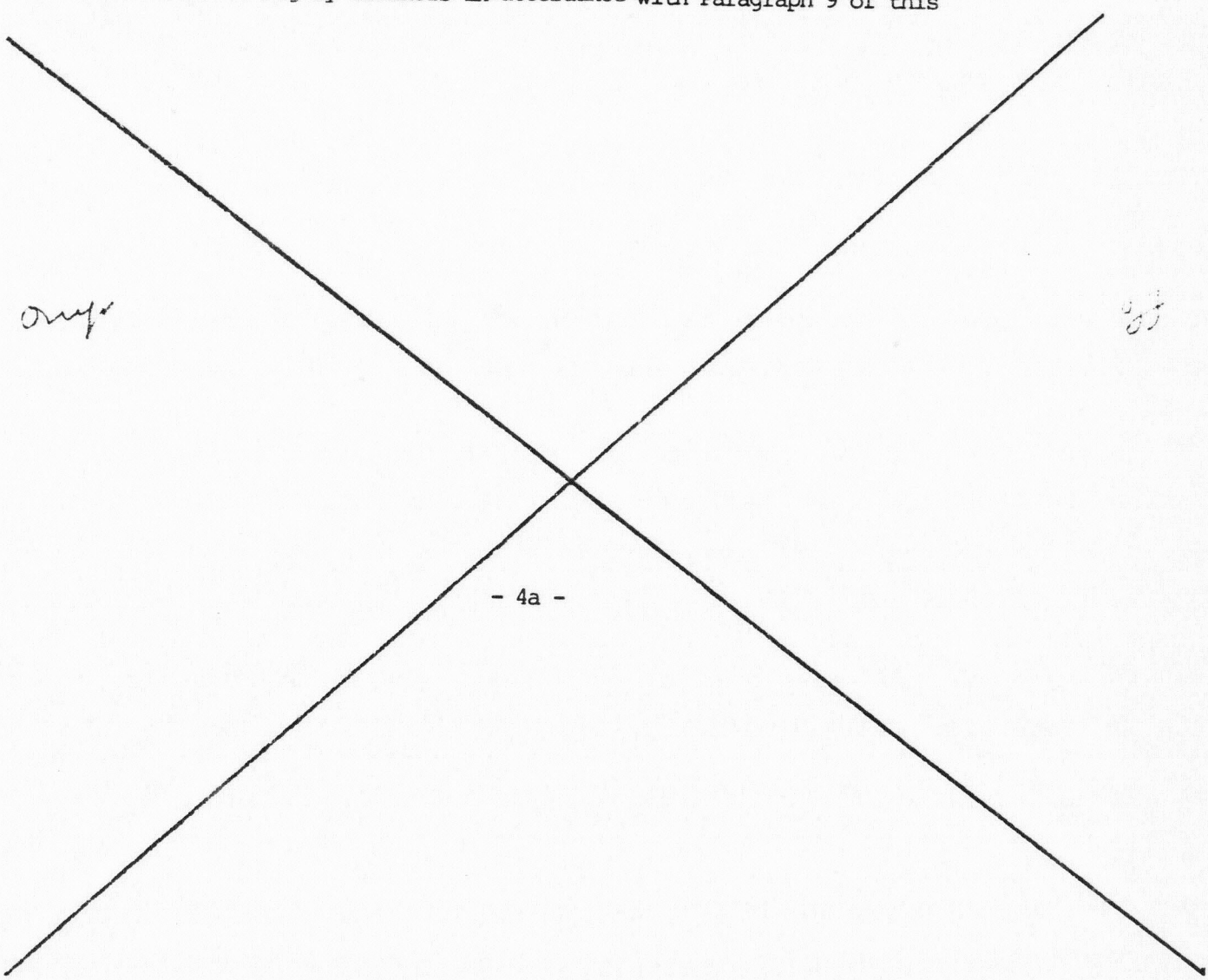
(b) Shall maintain in full force and effect, and in good standing, appointments in IATA, ATC, TAPC, TPPC and RTPA for the Branch until and

unless such conference appointments have been transferred to Fugazy Illinois in accordance with Paragraph 9 of this agreement.

(c) Hereby authorizes Fugazy Illinois to use, and operate under, the trade name "Fugazy Travel Bureau" in connection with the business of the Branch. It is understood and agreed that said business of the Branch shall solely consist of the exclusive right to sell, handle and arrange all travel services solicited from the Branch or from Fugazy New York by any persons in the portion of New York City described in Exhibit A attached hereto for retail travel services of every nature for individuals, and for commercial and business accounts of every kind and description within said area, including retail travel services for groups of 24 persons or less, and the right to sell, handle and arrange travel services solicited from the Branch by any persons within said area for groups of 25 persons or more, both individual and commercial, whenever such travel services consist solely in the sale, handling and arrangement of air transportation or solely in the booking of hotel reservations. It is further understood and agreed that Fugazy New York shall reserve and shall have the exclusive right to sell, handle and arrange all travel services solicited from Fugazy New York or from the Branch by any persons within said area for groups of 25 persons or more whenever such travel services consist in the sale, handling and arrangement of air transportation in conjunction with the booking of hotel reservations or other travel services provided that Fugazy New York shall pay the Branch the normal retail commission upon the sale, handling and arrangement of such travel services by Fugazy New York whenever such travel services were originally soliciated from the Branch and sold, handled and arranged by Fugazy New York upon referral from the Branch.

(d) Hereby grants to Fugazy Illinois the non-exclusive right to use in connection with the business of the Branch the trade marks, copyrights, heralds, insignia, signs and the slogan "Established 1870", now and heretofore and hereafter used and identified with the business of Fugazy New York.

3. Branch Office: During the term of this agreement and until and unless the Branch appointments in IATA, ATC, TAPC, TPPC AND RTPA have been transferred to Fugazy Illinois in accordance with Paragraph 9 of this



agreement, Fugazy Illinois shall maintain the Branch office at its present location at 16 West 46th Street, New York, New York and shall not move the Branch office to any other location without the written consent of Fugazy New York.

4. Fugazy New York's Restrictive Covenant: During the term of this agreement, Fugazy New York shall not directly or indirectly, have or open, or license any other person, to have or open any other travel agency in all that part of Manhattan, New York City which is north of Canal Street, Manhattan, New York City to sell, handle or arrange any travel services to which the exclusive right has been granted by Fugazy New York to Fugazy Illinois and the Branch under Paragraph 2(c) hereof.

5. Fugazy Illinois' Financial Statements: Within forty-five (45) days after the end of each calendar quarter during the term of this agreement, Fugazy Illinois shall furnish to Fugazy New York a balance sheet for such quarter of the Branch business and operations together with a statement of profit and loss thereof, which shall be prepared in accordance with generally accepted accounting principles consistently applied throughout. Within one hundred twenty (120) days of the end of each fiscal year of Fugazy Illinois, Fugazy Illinois shall furnish to Fugazy New York a balance sheet of the Branch business and operations for said fiscal year together with a statement of profit and loss for said year, certified by a certified public accountant, who shall be independent unless Fugazy New York otherwise consents thereto in writing.

6. Fugazy Illinois' Restrictive Covenant: So long as this agreement is in effect, Fugazy Illinois agrees that it will not without the written consent of Fugazy New York engage in the travel agency business in any area outside that portion of Manhattan, New York City which is north of Canal Street, Manhattan, New York City, and will not engage in any other business anywhere in the world.

7. Fugazy New York's Additional Supervisory Services: During the term of this agreement Fugazy New York shall furnish to Fugazy Illinois the services of an Account Executive for the Branch who shall afford advice and aid in sales and operations and will act as liaison between the Branch and Fugazy New York at a service charge of One Hundred Dollars ($100) per month payable by Fugazy Illinois to Fugazy New York.

8. Branch Fee: For the interests, rights and services hereunder, Fugazy Illinois shall pay to Fugazy New York:

(a) the sum of $40,000 per each of the first four agreement years or 50% of the net earnings of Fugazy Illinois in each of said years, whichever is greater, and the sum of $15,000 per the fifth agreement year or 50% of the net earnings of Fugazy Illinois in said year, whichever is greater, payable as follows: Commencing July, 1967, and in each month thereafter during the term of this agreement Fugazy Illinois shall pay to Fugazy New York on the 15th day of each month 50% of the net earnings of Fugazy Illinois in the preceding month. In the event the aggregate monthly payments in any one of the first four agreement years is less than $40,000, Fugazy Illinois shall pay to Fugazy New York the difference between the aggregate of said monthly payments in said agreement year and $40,000 within thirty (30) days after the close of said agreement year; provided, however, that at such time as

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the aggregate payments to Fugazy New York equal $175,000, which Fugazy Illinois at its election may prepay in whole or in part at any time, all payments thereafter by Fugazy Illinois to Fugazy New York shall be made in accordance with subparagraph (b) of this paragraph 8.

(b) Commencing at such time as the payments under subparagraph (a) above equal $175,000 continuing to and including the termination of this agreement, Fugazy Illinois shall pay to Fugazy New York on the 15th day of each month commencing the month following the month in which the aggregate payments pursuant to subparagraph (a) above equal $175,000 an amount equal to 1% of the gross revenue of Fugazy Illinois during said preceding month.

(c) For the purposes of subparagraph (a) above, the period commencing as of the date hereof to and including June 30, 1968 and each 12-month period thereafter commencing July 1, in each of the years 1968, 1969, 1970 and 1971 shall be deemed to be the first five agreement years, respectively.

(d) For purposes of this agreement:

(a) "Gross Revenue" shall mean gross receipts from all sources;

(b) "Net Earnings" shall mean gross revenue less (1) rent on premises, or rent on equipment, if any; (2) operating expenses including, but not limited to, utilities, salary expense (excluding all amounts payable to officers, directors, or stockholders or their relatives for salaries and/or expenses in excess of $10,000 in the aggregate during any agreement year), payments to carriers, hotels and related items, interest,

printing, stationery and supplies; (3) the service charge of $100 per month payable to Branch to Fugazy New York for the services of an Account Executive; (4) all other costs reasonably incurred as expenses of doing business and approved by Fugazy New York.

(e) Fugazy Illinois during the term of this agreement shall pay to Fugazy New York $100 per month as its share of the cost of participation in the cooperative advertising program of Fugazy New York with its branches and licensees.

(f) Fugazy New York shall credit towards the payment obligations of Fugazy Illinois under subparagraphs (a) and (b) hereinabove all sums paid to Fugazy New York during the pertinent periods under said subparagraphs by the Fugazy New York branch office or licensee in East Orange, New Jersey in connection with the sale, handling and arrangement of travel services for the Foster-Wheeler commercial account by said branch office or licensee.

9. Transfer of Conference Appointments. Fugazy Illinois shall have the right at any time after the payments under subparagraph (a) of paragraph 8 hereof equal $175,000 to apply for its own conference appointments in IATA, ATC, TAPC, TPPC and RTPA for the travel agency business of the Branch. Upon notice in writing to Fugazy New York advising that Fugazy Illinois desires the transfer of such conference appointments, Fugazy New York agrees to cooperate with Fugazy Illinois in effecting such transfers to Fugazy Illinois.

10. Events of Default.

(a) Fugazy Illinois agrees that the following shall constitute an Event of Default prior to the time that Fugazy Illinois acquires its own conference appointments for the Branch pursuant to Paragraph 9 hereof: Failure

to record or account for monies received by or payable to the Branch; failure correctly to record, report or account for contracts for travel or travel service; failure accurately to compute and pay when due sums payable under this agreement to Fugazy New York or payable pursuant to other transactions or contracts with Fugazy New York; breach of any of the provisions of this agreement to be performed by Fugazy Illinois or of any other agreement with Fugazy New York; conduct resulting in termination by the landlord of the lease of the Branch Office or other lease of Fugazy Illinois for the Branch; breach of any rule or regulation of IATA or ATC or of any other transportation conference which has the effect of exposing Fugazy New York to charges of improper conduct of the travel agency business, or fines or penalties or loss of its eligibility to conduct same and any other conduct which would tend to bring Fugazy New York into public disrepute and injure the good name, reputation, trade name or trademarks of Fugazy New York.

(b) Fugazy Illinois agrees that the following shall constitute an Event of Default at any time during the term of this agreement: If a decree or order of a court having jurisdiction shall have been entered decreeing or adjudicating Fugazy Illinois a bankrupt or insolvent and such decree or order shall have remained in force, undischarged and unstayed, for a period of thirty (30) days; if a decree or order of a court having jurisdiction for the appointment of a receiver or a liquidator or trustee or assignee in bankruptcy or insolvency of Fugazy Illinois or its property shall have been entered, and such decree or order shall have remained in force, undischarged and unstayed, for a period of thirty (30) days; if Fugazy Illinois shall institute proceedings to be adjudged a voluntary bankrupt, or shall consent to the

filing of a bankruptcy proceeding against it, or shall consent to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of Fugazy Illinois or of its property, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due; if a warrant of attachment or levy on a judgment or other similar process against all or any substantial portion of its property is served or made, which is not removed and discharged within thirty (30) days after entry, levy or service; or if it permits the use of the Branch for an illegal purpose.

(c) Fugazy Illinois agrees that the following shall constitute an Event of Default after the time that Fugazy Illinois acquires its own conference appointment pursuant to Paragraph 9 hereof: Failure to account for monies received by or payable to the Branch; failure to account for contracts for travel or travel service; failure to pay when due sums payable under this agreement to Fugazy New York or payable pursuant to any other transactions or contracts with Fugazy New York; breach of any of the material provisions of this agreement to be performed by Fugazy Illinois or any other agreement with Fugazy New York; breach of any rule or regulation of IATA or ATC or of any other transportation conference which has the effect of exposing Fugazy New York to fines or penalties or loss of its eligibility to conduct the travel agency business and any other conduct which would tend to bring Fugazy New York into public disrepute and injure the good name, reputation, trade name or trademarks of Fugazy New York. In the event that there is dispute between Fugazy New York and Fugazy Illinois as to whether an Event of Default has occurred under this subparagraph 9(c), the determination as to whether or not such an Event of Default has occurred shall be

made by an arbitration proceeding under the rules and regulations of the American Arbitration Association to whom the matter shall be referred by the parties hereto within twenty (20) days after receipt of written notice by Fugazy Illinois from Fugazy New York of the occurrence of such Event of Default pursuant to Paragraph 11(a) hereof.

11. Remedies.

(a) Upon the happening of any one of the Events of Default herein described in Paragraph 10 unless cured within twenty (20) days after receipt of written notice from Fugazy New York of the occurrence of any such Event of Default, Fugazy Illinois agrees that Fugazy New York in its sole discretion shall have the absolute right by written notice to Fugazy Illinois to terminate this agreement effective as of the date of such notice of termination.

(b) Should this agreement be terminated pursuant to the terms and conditions hereof, Fugazy New York is specifically authorized, permitted, and has the right without any liability, to enter upon and remove from the Branch premises all of Fugazy New York's stocks of tickets, validating stamps, accounting books and documents and all identification bearing the name or insignia of Fugazy New York and any and all other display items and personalty owned by Fugazy New York; and in the event of such termination Fugazy New York shall not be required to return any monies paid to it by or on behalf of Fugazy Illinois, and shall be under no further obligation and have no further liability to Fugazy Illinois hereunder.

(c) Upon termination of this agreement pursuant to the terms and conditions hereof, Fugazy Illinois shall immediately cease using the name "Fugazy" in any manner whatsoever, including, without limitation, the use of its name "Fugazy" in its corporate name. In the event of the failure of Fugazy Illinois to cease using the name "Fugazy" upon termination of this agreement, Fugazy New York shall have the right by injunction or otherwise to prevent Fugazy Illinois from using the name "Fugazy" in any manner.

12. Term of Agreement. Unless sooner terminated by Fugazy New York upon the happening of an Event of Default as provided in paragraph 11 hereof, this Agreement shall remain in full force and effect for a period of ninety-nine (99) years commencing as of the date hereof to and including June 30, 2066.

13. Additional Right of Fugazy New York Upon Termination. Upon termination of this agreement for any reason Fugazy New York shall have the absolute right to continue the Branch or to establish and operate a travel agency office for its own account, directly through an employee or indirectly through an agent or independent contractor, in the same area shown on Exhibit A annexed hereto, or elsewhere, free for any right or claim by Fugazy Illinois.

14. Remedies of Fugazy Illinois. In the event Fugazy New York is adjudicated a bankrupt or permanently loses its conference appointments in IATA and ATC at any time during the term hereof, Fugazy Illinois shall have the right to terminate this agreement and thereafter neither party hereto shall have any further liability to the other hereunder, except nothing herein shall affect Fugazy New York's rights under subparagraph (b) of paragraph 11 hereof. In such event, however, Fugazy Illinois shall have the non-exclusive right thereafter to use the name "Fugazy" in connection with the operation of a travel agency in the area described in Exhibit A hereto.

15. Limitation on Use of Fugazy Name. If at the time Fugazy Illinois obtains its own conference appointments in IATA and ATC, it is not permitted to use the name "Fugazy" under the rules and regulations of said conferences, Fugazy Illinois shall have the right to terminate this agreement by written

notice to Fugazy New York and thereafter neither party hereto shall have any further liability to the other hereunder, except that nothing herein shall affect Fugazy New York's rights under subparagraph (b) of Paragraph 11 hereof. If Fugazy Illinois does not so elect to terminate this agreement in such event, this agreement shall remain in full force and effect except that Fugazy Illinois thereafter shall cease using the name "Fugazy" for as long as the rules and regulations of said conferences prohibit the use thereof.

16. Indemnification, Insurance and Fidelity Bonds. Fugazy Illinois agrees that during the entire term of this agreement it will protect, indemnify and save harmless Fugazy New York from and against any and all loss, damage, liability or attorneys' fees and other costs and expenses incurred by Fugazy New York because of any act or neglect of Fugazy Illinois, the Branch or any of its agents, servants, employees or guests, and from all claims, damages, chosen in action, suits or rights of any parties, persons or corporations arising from the operation of the Branch; to provide Public Liability Insurance with companies satisfactory to Fugazy New York with limits of $100,000/$300,000 covering the operation and premises of the Branch, which insurance shall be issued in the name of Fugazy Illinois and Fugazy New York as their interests may appear, with certificate therefor to be delivered to Fugazy New York; to procure and maintain fidelity bonds with respect to such other employees in the Branch as Fugazy New York shall request and in such reasonable amounts requested by Fugazy New York; and to execute, endorse or guarantee such other bonds or other instruments with respect to the operation of the Branch, and have any and all its employees do so, as reasonably requested by Fugazy New York to protect itself and to support Fugazy New York's responsibility to IATA, ATC and other agencies and persons for the financial operations of the Branch.

17. No Waiver. The failure of Fugazy New York to enforce at any time or to object to the failure to perform any term, provision or condition of this agreement, or to exercise any option herein given, or to require at any time, performance by Fugazy Illinois of any term, provision or condition hereof, shall in nowise constitute a waiver thereof or of any subsequent breach or affect the validity of this agreement or any part thereof, or the right of Fugazy New York thereafter to enforce the same, but shall apply only to the specific instance to which the waiver is directed.

18. Remedies of Fugazy New York Not Exclusive. The rights and remedies of Fugazy New York specifically provided for herein shall not be exclusive, but shall be in addition to any other rights and remedies to which Fugazy New York shall be entitled at law, in equity or otherwise.

19. Assignability. Neither this agreement nor the rights granted by Fugazy New York to Fugazy Illinois shall be assignable by Fugazy Illinois without the written consent of Fugazy New York.

20. Notices. Any notice required or permitted by any provision of this agreement shall be deemed to have been sufficiently given or served for all purposes if sent by registered mail, postage and registered charges prepaid, addressed as follows:

If to Fugazy New York, to:
Fugazy Travel Bureau, Inc.
488 Madison Avenue
New York, N. Y. 10022
Attention of Mr. Otto Marx, Jr., Chairman of the Board of Directors

with a copy to
Messrs. Kramer, Max, Greenlee & Backus
29 Broadway
New York, N.Y. 10006

or to any other address or addresses as shall be designated from time to time by Fugazy New York.

If to Fugazy Illinois, to:
Fugazy Travel Bureau of Illinois, Inc.

Attention of Mr. William D. Fugazy

with a copy to: Gary S. Stein, Esq.
East 64th Ridgewood Avenue
Paramus, New Jersey 07652

or to any other address or addresses as shall be designated from time to time by Fugazy Illinois. All notices shall be deemed to have been given on the date of receipt.

21. Counterparts. This agreement may be executed in any number of counterparts, each of which when executed and delivered shall be an original, but all such counterparts shall constitute one and the same instrument.

22. Entire Agreement. This agreement supersedes all prior agreements and understandings between the parties and may not be changed or terminated orally, and no attempted change, termination or waiver of any of the provisions hereof shall be binding unless in writing and signed by the party against whom the same is sought to be enforced.

23. Law Governing. This agreement shall be governed by and construed according to the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have executed this agreement the day and year first above written.

FUGAZY TRAVEL BUREAU, INC.

By _____

FUGAZY TRAVEL BUREAU OF ILLINOIS, INC.

By _____

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A-858

STATE OF New York)
) ss.:
COUNTY OF New York)

On this 19 day of June, 1967, before me personally came William D Fugazy, to be known, who being by me duly sworn, did depose and say that he resides at Hamburg, NY that he is a President of FUGAZY TRAVEL BUREAU OF ILLINOIS, INC., the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation ; that the seal affixed thereto by said corporation is such seal; that it was affixed thereto by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

Notary Public

[illegible]
NOTARY PUBLIC, State of [illegible]
No. 41-0021750 - Qual. [illegible]
Term Expires March 30, 1969

STATE OF New York)
) ss.:
COUNTY OF New York)

On this 19th day of June, 1967,

before me personally came Otto Mabel Jr

to be known, who being by me duly sworn, did depose and say that he resides at 2E 55th St, NYC, NY that he is a Chairman of the Board of FUGAZY TRAVEL BUREAU, INC. the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed thereto by said corporation is such seal; that it was affixed thereto by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

Notary Public

[illegible]

EXHIBIT A

This exhibit is part of the agreement entitled "EXHIBIT C" dated as of the 14th day of June, 1967, by and between FUGAZY TRAVEL BUREAU, INC. and FUGAZY TRAVEL BUREAU of ILLINOIS, INC. which is annexed to and part of the agreement dated as of the 14th day of June, 1967, by and between FUGAZY TRAVEL BUREAU, INC. and TRAVELCO, INC. Whenever and wherever there is reference to EXHIBIT A" in said agreement, said reference shall be to the following portion of New York City: All that part of the Borough of Manhattan (New York County), in the City of New York, which is north of Canal Street, Manhattan, New York City.

A-860

Established 1870

DEFENDANTS' EXHIBIT YY

Phillips Ex. #7 for I. W.B. 4/2/75

Ex. YY

Fugazy Travel Bureau, Inc.

488 MADISON AVENUE, NEW YORK, NEW YORK 10022 / PLAZA 1-3434

OFFICE OF THE PRESIDENT

June 22, 1967

Travelco, Inc.
c/o Gary Stein Esq.
East 64 Ridgewood Ave.
Paramus, N.J.

Gentlemen:

The undersigned, Fugazy Travel Bureau, Inc. (Fugazy New York) entered into an agreement (Option Agreement) with Travelco, Inc. (Travelco) dated as of June 19, 1967 pursuant to which Travelco obtained an option to purchase all of the issued and outstanding stock of Fugazy Travel Bureau, Inc. of Illinois (Fugazy Illinois) subject to the conditions set forth in a certain Letter Agreement dated as of June 19, 1967 between Travelco and Fugazy New York. It is understood and agreed that said Option Agreement is hereby amended as follows:

1. All of the language in Paragraph 2 of said agreement is hereby deleted and the following language is hereby substituted in its place and stead so that said paragraph 2 shall read as follows:

"2. Option Price: In consideration of the grant of the option provided under Paragraph 1 above, Travelco shall pay to Fugazy New York the sum of Two Hundred Fifty Thousand Dollars ($250,000.00), payable as follows: Seventy Five Thousand Dollars ($75,000.00) in cash by certified or bank cashier's check in New York funds upon the execution of this agreement; One Hundred Seventy-Five Thousand Dollars ($175,000.00) by five installment payments, the first four installments in the sum of Forty Thousand Dollars ($40,000) each, payable, one, two, three and four years, respectively, after the date of said execution, the fifth installment in the sum of Fifteen Thousand Dollars ($15,000.00) payable five years after the date of said execution evidenced by execution and delivery by Travelco to Fugazy New York upon the execution of this agreement of promissory notes for each installment dated as of June 22, 1967 and payable without interest as hereinabove provided. It is understood and agreed, and said notes shall so provide, that Travelco will be entitled to a credit against its obligations for installment payments and against said notes equal to the amount of the payments made by Fugazy Illinois to Fugazy New York pursuant to Paragraph 8(a) of the Management Contract (a copy of which is annexed hereto as "Exhibit C"); [illegible] Said notes shall be payable in whole or in part at any time without penalty."

2. All of the language in Paragraphs 3(b) and 3(c) of said agreement is hereby deleted and the following language is hereby substituted in its place and stead so that said Paragraphs 3(b) and 3(c) shall read as follows:

"3(b) In the event that upon the Effective Date Travelco shall have prepaid to Fugazy New York the sum of $175,000.00 payable under the provisions of Paragraph 2 hereof, then Fugazy New York shall deliver to Travelco on the Effective Date certificates of stock representing all of the then issued and outstanding shares of stock of Fugazy Illinois duly endorsed in blank with all requisite stock transfer stamps affixed."

"3(c) In the event that upon the Effective Date Travelco has not prepaid to Fugazy New York the sum of $175,000.00 under the provisions of Paragraph 2 hereof, then in such event Fugazy New York shall deliver the certificates of stock representing all of the then issued and outstanding shares of stock of Fugazy Illinois, duly endorsed in blank with all requisite stock transfer stamps affixed, to the law firm of Kramer, Marx, Greenlee and Backus, Esqs., 29 Broadway, New York, New York, to be held in escrow until said sum of $175,000.00 has been paid in full, at which time all such certificates shall be delivered to Travelco."

3. All of the language in Paragraph 8(d) of said agreement is hereby deleted and the following language is hereby substituted in its place and stead so that said Paragraph 8(d) shall read as follows:

"Fugazy Illinois is capitalized for One Thousand Dollars ($1,000.00) and has issued and outstanding 10 shares of capital stock, all of which shares have been issued to Fugazy New York. Fugazy New York agrees that during the period the option granted hereunder remains in effect, Fugazy Illinois shall not be authorized to issue any additional shares of capital stock without the written consent of Travelco and that in the event any such additional shares are authorized to be issued they shall be issuable only to Fugazy New York and shall thereupon become subject to the option hereunder."

Very truly yours,

FUGAZY TRAVEL BUREAU, INC.

By: Otto Marx, Jr. Chairman of the Board

Approved and Accepted:
Travelco, Inc.

By: Irwin Fruchtman, Chairman of the Board

1

STATE OF New York)
) ss.:
COUNTY OF New York)

On this 22nd day of June, 1967,

before me personally came Otto Marx, Jr.

to be known, who being by me duly sworn, did depose and say that he resides at 2 East 88th Street, New York, New York
that he is Chairman of the Board of Directors of FUGAZY TRAVEL BUREAU, INC. the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed thereto by said corporation is such seal; that it was affixed thereto by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

Notary Public

MILTON ADLER
NOTARY PUBLIC, State of New York
No. 41-0021750 - Queens County
Term Expires March 30, 1969

STATE OF)
) ss.:
COUNTY OF)

On this 22nd day of June, 1967,

before me personally came Irwin Fruchtman

to be known, who being by me duly sworn, did depose and say that he resides at 1333 Jefferson Ave
Toledo, Ohio
that he is Chairman of the Board of TRAVELCO, INC., the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed thereto by said corporation is such seal; that it was affixed thereto by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

Notary Public

MARIE J. HENNINGER, Notary Public
Lucas County, Ohio
My Commission Expires April 7, 1970

△ EEE

A-863

DEFENDANTS' EXHIBIT EEE

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

OTTO MARX, JR., WILLIAM D. FUGAZY and LOUIS V. FUGAZY, being duly and severally sworn, each for himself, deposes and says:

That he and all members of his family have divested themselves of any interest, direct or indirect, that he or they may have had in any Franchise, as that term is defined in the Purchase Agreement dated October 10, 1967, between the Diners' Club, Inc. and Fugazy Travel Bureau, Inc., in Travelco, Inc., a Pennsylvania corporation, and in Travelco, Inc., a New York corporation.

Subscribed and Sworn to before me this 30th day of October, 1967.

Otto Marx, Jr.

Notary Public

William D. Fugazy

Louis V. Fugazy

GERARD F. JOYCE
Notary Public, State of New York
No. 31-7126300
Qualified in New York County
Commission Expires March 30, 1968

DEFENDANTS' EXHIBIT FFF

THIS AGREEMENT, made the 1st day of August, 1967, by and between WILLIAM D. FUGAZY, residing at Sunny Ridge Road, Harrison, New York, (hereinafter called "William"), IRWIN FRUCHTMAN, residing at 4333 Forestview Drive, Toledo, Ohio, (hereinafter called "Fruchtman") and LOUIS FUGAZY, residing at 62 Sunnyside Way, New Rochelle, New York, (hereinafter called "Louis");

W I T N E S S E T H :

WHEREAS, the parties hereto constitute the holders of all of the outstanding shares of stock of Travelco, Inc., a New York corporation, (hereinafter called the "Corporation"); and

WHEREAS, the parties hereto desire to set forth their understanding as to certain aspects of their relationship as Stockholders;

NOW, THEREFORE, in consideration of the mutual covenants and conditions herein contained it is hereby agreed as follows:

1. Neither William, Fruchtman nor Louis shall sell, assign, transfer, encumber or in any way dispose of, except by the instrument admitted to probate as their Last Will and Testament, any portion of their respective stockholdings in the Corporation, without the written consent of the other stockholders.

2. It is intended that Irwin Fruchtman be elected and serve as Chairman of the Board of the Corporation; that

William D. Fugazy be elected and serve as President and Louis Fugazy be elected and serve as Secretary-Treasurer of the Corporation. Each of the stockholders will vote their shares at all meetings of the stockholders held within the five (5) years following the date hereof for the election of Irwin Fruchtman, William D. Fugazy, Louis Fugazy, Martha Fruchtman and Shirley Fruchtman as the sole members of the Board of Directors of the Corporation; provided, however, that at such time as a certain loan in the amount of $99,000.00 from the Franklin National Bank to the Corporation has been fully repaid, the stockholders will vote their shares for a Board of Directors consisting of William D. Fugazy, Louis Fugazy and Irwin Fruchtman, a nominee of William D. Fugazy and a nominee of Irwin Fruchtman.

3. The Corporation has borrowed the sum of $99,000.00 from the Franklin National Bank on July 18, 1967 and Irwin Fruchtman has guaranteed payment of the Corporation's obligations pursuant to such loan, to the Franklin National Bank. William and Louis hereby agree to indemnify and hold Fruchtman harmless against any and all losses arising out of his guarantee to the Franklin National Bank of the Corporation's loan.

4. At such time as the Corporation's loan of $99,000.00 has been repaid in full to the Franklin National Bank, William and Louis shall have the option, exercisable upon written notice to Fruchtman, to purchase from Fruchtman, for a total consideration of $1.00, such number of shares of the

stock of the Corporation owned by Fruchtman so that upon completion of the purchase William and Louis will each own thirty per cent (30%) of the outstanding stock of the Corporation and Fruchtman will own forty per cent (40%) thereof. Upon receipt of written notice from William and Louis of the exercise of such option, Fruchtman will promptly deliver to William and Louis certificates for the appropriate number of shares of stock of the Corporation for transfer on the books of the Corporation.

5. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

6. This Agreement supersedes all prior agreements and understandings between the parties, may not be changed or terminated orally and no attempted change or termination or waiver of any of the provisions hereof shall be binding unless in writing and signed by the party against whom the same is sought to be enforced.

7. All certificates representing shares of stock of the Corporation, upon issuance, shall be stamped to indicate that they are subject to the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have executed this agreement this day of August 1967.

In the Presence of:

_____

S/ _____ L.S.
William D. Fugazy

S/ _____ L.S.
Irwin Fruchtman

S/ _____ L.S.
Louis Fugazy

A-867

DEFENDANTS' EXHIBIT GGG

October 13, 1967

Messrs. William D. Fugazy and Louis Fugazy
488 Madison Avenue
New York, New York

Dear Bill and Louis:

This is to set forth our agreement as to the winding up of Fugazy Travel Bureau, Inc. (hereinafter called the "Corporation"), the assets of which will be sold to the Diners' Club, Inc. (hereinafter called "Diners"), pursuant to an executory purchase agreement dated October 10, 1967, (hereinafter called the "Purchase Agreement").

(1) In consideration for the sale of the Corporation's assets to Diners the Corporation will receive, subject to various adjustments as provided for in the Purchase Agreement, the following:

(a) Cash in the amount of $2,809,669, of which $2,439,587 will be deposited in a creditor's account in Bankers Trust Company and administered in accordance with the provisions of Section 1.4 of the purchase Agreement; and

(b) 62,000 shares of common stock of Diners, 5,000 of which shall be in the name of A. Mitchell Liftig in satisfaction of the Corporation's obligations to Liftig for services rendered in connection with the sale of assets, and the remaining 57,000 shares of which shall be held in escrow in accordance with the provisions of the Escrow Agreement dated October 10, 1967, between the Corporation, Diners and the Escrow Agent.

(2) In addition, a subsidiary of Diners ("DFT") is entering into Employment Agreements dated October 10, 1967, with each of you, and with Otto Marx, Jr., pursuant to which you and he will be employed by DFT in an executive capacity and will receive as part of your compensation for services contingent payments (hereinafter referred to as "Percentage Compensation").

(3) It is our understanding that the proceeds of the sale of the Corporation's assets to Diners shall be applied first to the payment of all of the liabilities of the Corporation, including the Corporation's liabilities to Travel Credit Corporation and Marx & Co., Inc., with interest, to the redemption of the outstanding preferred stock of the Corporation with accrued dividends to date and to the repayment to Marx & Co., Inc., of a capital investment in the amount of $50,000 in the Corporation's common stock. For purposes of this agreement, the

amounts owed to Travel Credit Corporation and Marx & Co., Inc. and the amounts necessary to reduce the outstanding preferred stock with accrued dividends and to repay $50,000 to Marx & Co., Inc., with respect to its capital investment shall be deemed to be "liabilities" of the Corporation.

Pursuant to a plan of liquidation being adopted today, the Corporation will be liquidated prior to October 13, 1967, pursuant to section 337 of the Internal Revenue Code.

(4) To effectuate the foregoing understanding, it is agreed as follows:

(a) All unrestricted assets of the Corporation will be used to discharge its liabilities. As soon as possible, and in any event prior to October 13, 1968, all remaining assets of the Corporation (including, but not limited to, any cash held in a creditor's account pursuant to paragraph (1) (a) above, and any Diners stock held in an escrow account pursuant to paragraph (1)(b) shall be distributed pro rata to the stockholders of the Corporation who shall individually assume their pro rata share of any remaining liabilities of the Corporation, all in the following proportions: William D. Fugazy - 25%; Louis Fugazy - 25%; Marx & Co., Inc. - 40%; John V. Summerlin - 10%.

(b) Each of you agrees that all of the assets of the Corporation distributed to you in the liquidation of the Corporation will immediately be placed in escrow with Bankers Trust Company (or another mutually acceptable escrow agent), pursuant to an escrow agreement to be entered into with such escrow agent, to secure the payment of your share of the Corporation's liabilities assumed by you in the liquidation of the Corporation (hereinafter referred to as "your assumed liabilities"). If, at the time of such liquidation or at any time thereafter, the fair market value of the assets held by the escrow agent is less than 200% of the undischarged portion of your assumed liabilities, you also agree either

(i) to pay to the escrow agent cash or its equivalent in an amount equal to such difference, or

(ii) to assign to the escrow agent all of your rights to receive Percentage Compensation under your employment agreements with DFT, subject to the provisions of sub-paragraph (c) below.

Any assets assigned to the escrow agent under clauses (i) or (ii) of this subparagraph shall thereafter be retained by the escrow agent as additional security, or shall be applied by the escrow agent in accordance with the terms hereof, without regard to whether the fair market value of the assets held by the escrow agent at any subsequent time is more or less than 200% of the then undischarged portion of your assumed liabilities.

(c) In the event that either of you assigns your right to receive Percentage Compensation to the escrow agent pursuant to subparagraph (b) above, the escrow agent shall be authorized to distribute to the assignor an amount equal to his Federal income tax liability (including his estimated tax liability) attributable to such Percentage Compensation. Such distribution shall be made within five business days following receipt by the escrow agent of a written statement from a certified public accountant specifying the amount of such tax liability and the due date of payment thereof, which due date shall be not more than fifteen days after the date of said written statement. The assignor's Federal income tax liability attributable to such Percentage Compensation shall be the difference between the assignor's actual Federal income tax liability and the Federal income tax liability he would have incurred if he had received no Percentage Compensation during the taxable year in question.

(d) The assets placed in escrow by you, the proceeds from the sale of any assets held by the escrow agent, and all dividends, interest and additional stock received by the escrow agent on or with respect to the escrowed assets,shall be retained by the escrow agent as additional security or applied by the escrow agent in accordance with the terms hereof.

(e) Except as otherwise provided in subparagraphs (g) and (h) below, you will have the right to direct the escrow agent to sell or otherwise liquidate any escrowed assets (other than your contingent right to receive future Percentage Compensation, which shall in no event be assigned to anyone else by the escrow agent), provided that any resulting proceeds (together with any dividends or interest received by the escrow agent on escrowed assets) shall be invested by the escrow agent only in time deposits, U.S. Government obligations or investments approved in writing by both of you and Marx & Co., Inc.

(f) At any time while the escrow is still in effect, you shall have the right to direct the escrow agent to apply part or all of the escrowed assets in payment or part or all of your assumed liabilities.

(g) If, at the time of liquidation of the Corporation, or at any time thereafter, while the escrow is still in force, The Chase Manhattan Bank demands payment from Otto Marx, Jr., or proposes in writing to demand payment, of the debt now owed by the Corporation to Otto Marx, Jr. and in turn owed by Otto Marx, Jr. to the bank (which debt will be individually assumed by the stockholders on liquidation of the Corporation), Otto Marx, Jr. shall have the right, at the time of such demand or written proposal, to direct the escrow agent to sell or otherwise liquidate sufficient escrowed assets (other than your contingent right to receive Percentage Compensation which shall in no event be assigned to anyone else by the escrow agent) to discharge your assumed share of the debt owed to said Bank to the maximum extent possible.

(h) If any part of your assumed liabilities remains unpaid at the end of 24months from this date, Otto Marx, Jr. shall have the right at such time to direct the escrow agent to sell or otherwise liquidate sufficient escrowed assets (other than your contingent right to receive Percentage Compensation which shall in no event be assigned to anyone else by the escrow agent) to discharge the unpaid part of your assumed liabilities to the maximum extent possible. If your assumed liabilities are not completely discharged by this procedure (in which event the only remaining escrowed asset will be your contingent right to receive Percentage Compensation), the escrow agent will hold and distribute any subsequent proceeds attributable thereto as follows:

(i) You will be entitled to receive the amount described in subparagraph (c) above at the time and in the manner described in such subparagraph.

(ii) On the first business day following January 15, April 15, June 15, and September 15 of each year, all proceeds not previously distributed to you in accordance with clause (1) of this subparagraph shall be applied to pay your assumed liabilities to the maximum extent possible.

(i) The escrow shall terminate when your assumed liabilities have been fully paid, or when all escrowed assets (including the right to Percentage Compensation) have been fully exhausted, whichever occurs first. On termination of the escrow, any remaining assets held by the escrow agent shall be released to you.

(j) The escrow agent's fees shall be paid 50% by you, 40% by Marx & Co., Inc. and 10% by John V. Summerlin.

(5) In connection with the agreement between both of you and Irwin Fruchtman, pursuant to which you agreed to indemnify Mr. Fruchtman against any loss he may sustain by virtue of his investment of $100,000.00 in Travelco, Inc., a New York corporation, which is a party to a franchise agreement with the Corporation for the New York City area, it is understood that the Corporation will indemnify you in the event you are required to make any payment to Mr. Fruchtman pursuant to you agreement with him. Accordingly, if Mr. Fruchtman has not received payment in full of such $100,000.00 from Travelco, Inc., prior to the liquidation of the Corporation, Marx & Co., Inc., and John V. Summerlin will place $50,000.00 in cash or its equivalent in a separate escrow at the time of such liquidation to secure their assumed share of the Corporation's contingent indemnity liability to you, or will supply you with their personal guarantees. Such escrow shall terminate if and when Mr. Fruchtman received payment in full from Travelco, Inc., or at such other time as you, Marx & Co., Inc., and John V. Summerlin shall mutually agree, and at such time any remaining amounts of such $50,000.00 if deposited and held by the escrow agent shall be released to Marx & Co., Inc., and John V. Summerlin. The escrow agent's fees shall be borne in the proportions stated in paragraph (4)(j).

If the foregoing accurately sets forth our understanding, your signatures at the place provided below will constitute this a binding agreement between us in accordance with its terms.

Very truly yours,

MARX & CO., INC.

By S/Otto Marx

S/John V. Summerlin
John V. Summerlin

Accepted:

S/ William D. Fugazy
William D. Fugazy

S/ Louis V. Fugazy
Louis Fugazy

Inter-Department Correspondence

A-872

DEFENDANTS' EXHIBIT KKK

To: MR. WILLIAM WARD Date NOVEMBER 15, 1967

From: WILLIAM DENIS FUGAZY

Subject:

Dear Bill:

It is important that, if possible, we conclude 10 franchise sales during the month of November. This would be our biggest month and would give us a good reason to issue a press release on the strength of the new combination of Diners-Fugazy.

Your previous memorandum indicates that you contemplate closing seven to eight franchises. I have, today, advised Bob Skillen to conclude the franchises of Diners-Fugazy of Great Britain, Diners-Fugazy of Mexico and, if possible, Diners-Fugazy of Bangkok. This would bring us up to a total of 10.

Certainly this is very important as it would give us the necessary momentum to show the acceptance of our program due to the merger with Diners.

I want all franchise salesmen to work as many hours as necessary to conclude this minimum number during the month of November. I would also like the same number to be projected for December and starting in January a total of 12 closings per month.

Please advise me if it is necessary to increase our advertising budget in order to gear up for this number of closings.

WILLIAM DENIS FUGAZY

WDF:pfr

CC: Messrs. Alfred Bloomingdale, Tom Hays, Otto Marx, Jr., Robert Phillips, Tom Coonerty, Robert Skillen

A873

DEFENDANTS' EXHIBIT MMM

May 19, 1969

Mr. George Faunce, President
Diners Club
10 Columbus Circle
New York, New York 10019

Dear George:

As I am going to Europe on Wednesday, the 21st of May for a couple of weeks, I thought I would summarize our discussions at lunch last week relating to an alternate plan so that the Marx/Fugazy block of Diners Club shares would not have to be registered at this time.

As I mentioned to you, the two major debts of the old Fugazy Company are $1,350,000 which I have borrowed from The Chase Manhattan Bank on a Demand basis at an interest rate of 1/2 of 1% over the prima rate. This loan is collateralized by my own securities, not the Diners Club shares, as they would not accept unregistered stock. The second major amount is owed to Marx & Co., and that amount is $686,383.58; plus interest advanced against these two loans as of June 30, 1969, of approximately $40,000. The total due Marx & Co. as of that date is $724,000.

The following is a suggested alternate plan:

1. Diners takes over under its lines of credits the $1,350,000 loan at the Chase Manhattan. This would no doubt be done at the prime interest rate.

2. Marx & Co. retains the notes due them, as mentioned above, in the total amount of $724,000.

3. The Marx/Fugazy group escrows its 95,000 shares of Diners Club stock against the $1,350,000 of debt assumed by Diners Club.

4. Over a maximum period of three years such loans will be paid down with Diners Club stock in the following manner:

Mr. George Faunce, President
Diners Club

May 19, 1969

4. (continued)

a) There will be a take-down at intervals of 6 months of such shares at the current market for Diners Club stock at the time. At $26 per share, 84,000 shares or a total of $2,184,000 would more than satisfy the aforementioned debts. Such debts amount to $2,074,000. Hence, if the alternate proposal were activated assuming the stock is selling at $26, the first take-down of 14,000 shares would be worth $364,000. Six months from such date another 14,000 shares would be taken down at the price on such date. This would be continued until the total debt had been eliminated. Of each 14,000 share unit, Diners Club would take down two-third's or 9334 shares and Marx & Co. would take down one-third or 4666 shares.

b) Assuming that the price of Diners Club stock will improve, it will take less than 3 years to satisfy the debts. Once the debts are satisfied, the remaining shares will be returned to the Marx/Fugazy group.

5. Interest on the Marx & Co. debt will be accumulated at the prime interest rate over the period of the pay-out. When the debts are satisfied, Marx & Co. will take the accumulate amount of interest owing to them out of the remaing Diners Club shares at the current market price at the end of the aforementioned term. (Three years or less.)

6. To Summarize, Diners Club will not make any cash outlay, but simply take over an existing loan. The cost to them would be the interest on $1,350,000 per year. It is assumed that the stock will increase in value over the next two or three years. If this assumption is correct and the stock either by a take-over of control or by normal market procedure should return to $50 per share, the appreciation would be such in the stock held by Diners Club from the six-months take-downs as outlined above, that it would be sufficient to pay a major part of the loan. In any event, it is a reasonable assumption that the increase in value of the shares will certainly equal the interest cost to Diners Club. In addition, if the stock should increase in price substantially during the pay-cut period, it would take far less than three years to satisfy the debts.

Mr. George Faunce, President
Diners Club

May 19, 1969

Obviously if you have any other ideas on this subject, I would be pleased to listen to any suggestions. I would assume that by the time I return from Europe that the final audited figures for Diners Club will be available and a decision can be made to either register our shares or take some action on some alternative plan.

Sincerely,

Otto Marx, Jr.

cc: Messrs. William D. Fugazy
Louis Fugazy
Julian Weber
Ludwig Mandel

P.S. I am sure you realize that this plan would eliminate the cost of a registration statement and the disclosure of a great deal of complicated information.

DEFENDANTS' EXHIBIT NNN

June 12, 1969

Messrs. William D. Fugazy and
Louis Fugazy
Diners/Fugazy Travel
660 Madison Avenue
New York, N.Y. 10021

Dear Bill and Louis:

On my return from Europe I received a telephone call from the Chase Manhattan Bank asking for a further reduction in the $1,350,000 note. In addition they stated that the old note with a top level interest rate of 8% be paid, because of the increase in the prime rate of 8 1/2%, had to be exchanged for a new note with no interest limit and they directed me to pay 9%, as of the date of the increase in the prime rate. If this new note was not forthcoming, they intended to call the loan. Hence I was forced to acquiesce and signed a new note for $1,350,000 in which we pay 1/2% over the prime rate.

I called George Faunce and Julian Weber to determine whether Diners Club in my absence had agreed to the plan outlined previously in my letter to them and to you. They stated that the Board of Directors of Diners Club had disapproved the plan and they were proceeding to register our shares. Julian Weber indicates he hopes with a reasonable short time to have a registration statement completed and ready for filing. Under our agreement we pay for half of the cost of such registration statement. We are attempting to register 58,710 shares, plus 20% of the shares received in settlement of the compensation agreement which will be released this year. This will be approximately 7,200 shares making a total of approximately 66,000 shares of stock.

If we sell the shares at the current market price of $21, less commissions, we will receive not quite enough money to pay the Chase Bank loan and interest due them up to September 1, 1969. This will leave debts to Marx & Co. of approximately $700,000 plus other miscellaneous debts against the remaining 28,000 to 30,000 shares of stock pledged by all of us to eliminate debts by F.T. Ventures, (the old Fugazy Company). Naturally if the price of the stock should improve in the next three months, we shall be in a far more advantageous position. If this should happen, I trust that all our debts in due course may be paid and we shall all each retain some the Diners Club shares.

Messrs. William D. Fugazy
and Louis Fugazy

June 12, 1969

In view of the Chase Bank's approach to this matter, I have agreed that we would immediately register as many of such shares as we can and upon the effective date of the registration sell the shares either publicly or privately wherever there is satisfactory market.

In reference to the Ernst & Ernst suit I have determined this morning that the attorneys for Ernst & Ernst did not appeal the decision of the court. Hence now they will either go into litigation or there will be a settlement. I will try to keep you posted as to the progress of this suit.

If you have any questions relative to the aforementioned subjects, please let me know so that I may further clarify the situation for you.

With kindest regards.

Sincerely,

Otto Marx, Jr.

cc: Mr. John V. Summerlin

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DEFENDANTS' EXHIBIT 000

D #16

MARX & CO., INC.

40 WALL STREET
NEW YORK, NEW YORK 10005

THE CONTINENTAL ...
JUN ... 1969
H. E. JOHNSON

June 17, 1969

Mr. Harold E. Johnson
Executive Vice President
The Continental Insurance Companies
80 Maiden Lane
New York, N.Y. 10038

Dear Harold:

I do not know whether you saw a copy of this letter. It is my understanding that Diners Club has turned down the proposal and is proceeding with the registration of our shares.

With kindest regards.

Sincerely,

Otto Marx, Jr.

encl/

A879

DEFENDANTS' EXHIBIT PPP

Exh. PPP

NERS CLUB

OLUMBUS CIRCLE / NEW YORK, N.Y. 10019 / TELEPHONE: (212) CI 5-1500 / CABLE: DINCLUB N.Y.

July 15, 1969

F T Ventures, Inc.
c/o Mr. Otto Marx, Jr.
Marx & Co. Inc.
40 Wall Street
New York, New York

BEST COPY AVAILABLE

Dear Sirs:

As you know, in accordance with your request to us dated April 16, 1969 pursuant to Section 10.2 (b) of the agreement dated October 10, 1967 between The Diners' Club, Inc. and your predecessor, Fugazy Travel Bureau, Inc. (the "acquisition agreement"), we are in process of preparing a registration statement with respect to the shares of our Common Stock received by you pursuant to the acquisition agreement, for filing with the Securities and Exchange Commission under the Securities Act of 1933.

In connection with such registration, Section 10.2(b) of the acquisition agreement requires that you pay to us "in advance an amount sufficient to reimburse Diners for one-half of all registration fees, printing costs, auditing fees (but only in excess of normal fees paid by Diners for its fiscal year end audit), legal fees and all other incidental out-of-pocket expenses incurred in connection with such registration statement."

The estimated fees, costs and expenses of the registration, based on estimates by our lawyers, accountants and printers, are as follows:

Registration fees	$ 270
Printing costs	25,000
Auditing fees (in excess of normal fees for fiscal year-end audit)	15,000
Legal fees	25,000
Incidental out-of-pocket expenses (including lawyers' estimated disbursements)	5,000

EXH. NO. D
BORAK, REPORTER

Accordingly, before we proceed further with the registratio we would like to have your check made out to us in the amount of $35, representing one-half of the foregoing fees, costs and expenses, in accordance with the acquisition agreement. If the final fees, costs an expenses should turn out to be less than the above total, you will of course be reimbursed for one-half of the difference. On the other hand, if such fees, costs and expenses should turn out to be more than the abov you will be required to pay to us one-half of the excess.

Sincerely,

George Faunce III
President

GF:ps

cc: Mr. William D. Fugazy
Mr. Louis V. Fugazy

A-881

P-10

QQQ(E)

BOTEIN, HAYS, SKLAR & HERZBERG
200 PARK AVENUE
NEW YORK, N.Y. 10017

BERNARD BOTEIN
BEN HERZBERG
SYDNEY C. WINTON
Wm VICTOR GOLDBERG
JAMES M. GROSSMAN
NATHANIEL WHITEHORN
MILTON KLEIN
ROBERT WOLF
HARRY I. RAND
HOWARD I. RICH
ALVIN H. SCHULMAN
RENEE SCHWARTZ
JULIAN L. WEBER
HOWARD L. WEINREICH
RICHARD L. GOLDBERG
FREDERIC A. NICHOLSON
STANLEY M. KOLBER

CABLE ADDRESS
"HAYGREEN"
TELEPHONE
212-867-5500

August 15, 1969

BY HAND

F T Ventures, Inc.
c/o Mr. Otto Marx, Jr.
Marx & Co. Inc.
40 Wall Street
New York, New York

Re: Registration of Diners' Club Stock

Dear Sirs:

In connection with Mr. Faunce's letter to you of July 15, 1969, relating to estimated expenses of the registration, you have asked us for some idea of the actual expenses to date and also for a brief description of the auditing work being done.

First, with regard to the registration fee, this calculation relates to the market price of the stock shortly before filing, and accordingly the fee on the F T Ventures, Inc. stock appears at the moment to be approximately $240.

With regard to printing costs, Sorg Printing Company informed us that their charges to date would be about $8,300. Sorg now estimates that the total cost of the job will be about $14,000. This is of course drastically lower than Sorg's original estimate of $25,000.

With regard to auditing fees, Touche, Ross informs us that it is not in a position to know what their charges are to date. They have indicated, however, that on the basis of work done and to be done, based, in accordance with their customary practice, on per diem rates, their original estimate of $15,000. is still a good one. They have informed me that their work in connection with the registration statement consists principally of the following:

Assistance to Company's internal accounting department in connection with the preparation

BOTEIN, HAYS, SKLAR & HERZBERG

of the financial parts of the registration statement, including among other things, assistance in re-casting financial statements for certain prior years for purposes of the five-year Consolidated Statement of Net Earnings.

Assistance in the preparation of the required financial data for inclusion in Part II of the registration statement and examination thereof.

General consultation regarding preparation of the registration statement and review of successive proofs.

Review of results for three months ended June 30, 1969 at each of the accounting centers of the Company and its subsidiaries, and discussions with appropriate management personnel, and review of the latest financial data available immediately prior to filing of the registration statement and prior to the effective date thereof.

Pre-filing quality control review of registration statement.

Assistance in the disposition of comments, if any, received from the SEC.

Further quality control review before effective date of registration statement.

The reviews referred to above are essentially statutory reviews arising out of requirements of the Securities Act of 1933.

As to the legal fees, our time charges, which is the basis on which we bill, up to July 31, 1969, amount to $18,800. On this basis, our original estimate of $25,000. remains a good one.

BÖTEIN, HAYS, SKLAR & HERZBERG

With regard to incidental expenses, including lawyers' disbursements, we have not gotten an accurate computation to date, but it seems clear enough that including some $500. for photocopying the bulky exhibits, the expenses to date are still under $1,000. Accordingly, we think a fair estimate of the total incidental expenses which will be involved is about $2,000.

On the basis of the foregoing, and in consultation with Mr. Faunce, we have revised the estimated fees, costs and expenses of the registration as follows:

Registration fees	$ 240.
Printing costs	14,000.
Auditing fees (in excess of normal fees for fiscal year-end audit)	15,000.
Legal fees	25,000.
Incidental out-of-pocket expenses (including lawyers' estimated disbursements)	2,000.
Total	$56,240.

Accordingly, F T Ventures, Inc.'s share of the foregoing, is $28,120. Upon receipt of your check in that amount, the Company is prepared to proceed to file the registration statement.

Sincerely,

Julian L. Weber

JLW:ng

ccs:
Mr. George Faunce III, President
Mr. William D. Fugazy
Mr. Louis V. Fugazy

FUGAZY
Plaintiff's Ex.: MM For ID
Defendants Ex: For-ID
Date: 11/1/71 Lester D. Isacs
Shorthand Reporter

DEFENDANTS' EXHIBIT RRR

August 21, 1969

Mr. Alfred S. Bloomingdale, Chairman
Diners Club, Inc.
10 Columbus Circle
New York, New York 10019

Dear Al:

Confirming our discussions of this morning relative to Section 10.2(b) of the agreement dated October 10,1967, between The Diners Club, Inc. and Fugazy Travel Bureau, Inc. (the "acquisition agreement") relative to the registration of certain shares of Diners Club, Inc. stock which we received at that time. It does not seem feasible to pay to Diners Club in accordance with the aforementioned acquisition agreement "in advance" an amount sufficient to reimburse Diners Club for one half of all registration fees, printing costs, auditing fees, legal fees, incidental out-of-pocket expenses, etc. The reason it is not fessible is that we both agree it is impossible to determine accurately definitive costs before the effective date of the registration statement.

Hence, we agree to reimburse Diners Club in accordance with the aofrementioned section of the acquisition agreement after the registration statement is effective within 30 days after we receive all of the itemized bills approved by both parties. I trust this is in accordance with your understanding.

With kindest regards.

Sincerely,

Otto Marx, Jr.

cc: Messrs. Wm. D. Fugazy
Louis Fugazy
Julian Weber
J.V. Summerlin

A-885

SSS(E)

DINERS FUGAZY TRAVEL
660 MADISON AVENUE
NEW YORK N.Y. 10021
(212) 751-3434

August 21, 1969

Mr. Otto Marx
Marx and Company
40 Wall Street
New York, New York

Re: Diners Club, Inc. - Registration Statement

Dear Mr. Marx:

I spoke to Larry List today regarding the indemnification provision contained in paragraph 6 of the form submitted to you for your signature. Mr. List agreed to forward for consideration our position to the effect that the indemnification is too broad and indefinite, and further that we want the paragraph eliminated.

If it is deemed necessary that this paragraph be incorporated, I think, with some editing of the language, we could narrow the scope of the indemnification considerably.

Please advise me if there are any further developments.

Sincerely yours,

Frederic Walker
General Counsel

FW/dk

A-886

TTT(6)

BOTEIN, HAYS, SKLAR & HERZBERG
200 PARK AVENUE
NEW YORK, N.Y. 10017

BERNARD BOTEIN
BEN HERZBERG
SYDNEY C. WINTON
Wm VICTOR GOLDBERG
JAMES M. GROSSMAN
NATHANIEL WHITEHORN
MILTON KLEIN
ROBERT WOLF
HARRY I. RAND
HOWARD I. RICH
ALVIN H. SCHULMAN
RENEE SCHWARTZ
JULIAN L. WEBER
HOWARD L. WEINREICH
RICHARD L. GOLDBERG
FREDERIC A. NICHOLSON
STANLEY H. KOLBER

CABLE ADDRESS
"HAYGREEN"
TELEPHONE
212-867-5500

August 22, 1969

By Hand

Mr. Otto Marx, Jr.
Marx & Co.
40 Wall Street
New York, New York

Re: Registration of Diners' Club Stock

Dear Otto,

I understand that you have some objection to the indemnity which F T Ventures, Inc. and its shareholders individually, including yourself, have been asked to sign, indemnifying the Company against liability by reason of information furnished by F T Ventures, Inc. or its shareholders for inclusion in the registration statement.

You have asked us to discuss the matter with Fred Walker, who is an inside lawyer at Diners/Fugazy Travel, Inc. We have done so and we still cannot understand any possible objection which you may have.

In view of the intention to file the registration statement early next week, and the complications in connection with auditors' reviews which will exist if that is not done, we have been authorized to proceed with the filing without your indemnity. You understand of course that without your indemnity the Company will not indemnify you with respect to the overwhelming bulk of the registration material which was not supplied by you.

You may wish to reflect upon the matter and if you should decide to give your indemnity, it can be done after the filing.

Sincerely,

Julian L. Weber

JLW:fk
cc: Mr. William D. Fugazy
Mr. Louis V. Fugazy
Mr. Alfred S. Bloomingdale
Mr. George Faunce III
Mr. Seymour Flug

A-887

BERNARD BOTEIN
BEN HERZBERG
SYDNEY C. WINTON
Wm. VICTOR GOLDBERG
JAMES M. GROSSMAN
NATHANIEL WHITEHORN
MILTON KLEIN
ROBERT WOLF
HARRY I. RAND
HOWARD I. RICH
ALVIN M. SCHULMAN
RENEE SCHWARTZ
JULIAN L. WEBER
HOWARD L. WEINREICH
RICHARD L. GOLDBERG
FREDERIC A. NICHOLSON
STANLEY M. KOLBER

BOTEIN, HAYS, SKLAR & HERZBERG
200 PARK AVENUE
NEW YORK, N.Y. 10017

CABLE ADDRESS
"HAYGREEN"
TELEPHONE
212-867-5500

August 22, 1969

By Hand

Mr. Otto Marx, Jr.
Marx & Co.
40 Wall Street
New York, New York

Re: Registration of Diners' Club Stock

Dear Otto,

I have my copy of your letter dated August 21, 1969 to Alfred Bloomingdale concerning payment by F T Ventures, Inc. of one-half of the expenses of the proposed registration.

In accordance with our telephone conversation this morning, it is understood that your aforesaid letter constitutes your personal guarantee of the payment of one-half of such expenses.

You refer in your letter to the payment of such expenses to be made after the effective date of the registration statement and within thirty days after you receive "all of the itemized bills approved by both parties." I understand that you are to receive copies of the bills for review, but your obligation to pay one-half of the actual expenses cannot of course be subject to your approval of the bills. I am sure that you understand this. If it were otherwise, you could simply disapprove the bills and relieve yourself of the contractual obligation to pay one-half of the actual expenses.

Sincerely,

Julian L. Weber

JLW:fk

cc: Mr. William D. Fugazy
Mr. Louis V. Fugazy
Mr. Alfred S. Bloomingdale
Mr. George Faunce III
Mr. Seymour Flug
Mr. J.V. Summerlin

VVV

A888
DEFENDANTS' EXHIBIT VVV

F

MARX CO., INC.
40 WALL STREET
NEW YORK, NEW YORK 10005

August 22, 1969

Mr. Julian L. Weber
Botein, Hays, Sklar & Herzberg
200 Park Avenue
New York, N.Y. 10017

Dear Julian:

In reference to your letter of August 22nd relative to the registration of Diners Club stock, if you decide to file the registration statement without having the company, i.e. Diners Club, indemnify us against material which they have represented in the registration statement, I wish to go on record at this point that we feel no obligation of any kind to compensate you or the company for any of the expenses involved.

We are not authorizing you to file any registration on our part or for our benefit without proper indemnification.

Very truly yours,

Otto Marx, Jr.

cc: Messrs. Wm. D. Fugazy
Louis Fugazy
Alfred S. Bloomingdale
John V. Summerlin

WWW

A889

DEFENDANTS' EXHIBIT WWW

August 26, 1969

By Hand

Mr. Otto Marx, Jr.
Marx & Co.
40 Wall Street
New York, New York

Re: The Diners' Club, Inc. Registration Statement

Dear Mr. Marx:

I tried to reach you yesterday afternoon but your office advised me that you had left for the day.

With respect to the payment of expenses, Bill Fugazy has agreed to guarantee payment of one-quarter thereof, up to a maximum of $15,000, and yesterday I prepared an agreement covering such a guarantee, plus a similar guarantee by you; I assume what you told me yesterday morning is still satisfactory.

Enclosed are an original and one copy of an agreement providing that you and Bill Fugazy each guarantee the payment by F T Ventures of one-quarter of the registration expenses, up to a maximum of $15,000 each.

I had a copy of this agreement delivered to Bill Fugazy yesterday afternoon but he had left and will not be back until this afternoon.

I would appreciate it if you would sign the original and return it to my messenger, who has been instructed to wait. Of course, if you have any questions, please call me.

Once you have signed the agreement I will then arrange for its delivery to Bill Fugazy for execution and then, assuming receipt of the indemnifications, in the revised form I had delivered yesterday afternoon, we will be ready to file the registration statement.

Very truly yours,

BOTEIN, HAYS, SKLAR & HERZBERG

LIL:fk
Enc.

By:
Lawrence I. List

A890

August 25, 1969

The Diners' Club, Inc.
10 Columbus Circle
New York, New York 10019

Re: Registration Statement on Form S-1

Gentlemen:

We are principal shareholders of F T Ventures, Inc., the assets and business of which you acquired on October 30, 1967 pursuant to an agreement dated October 10, 1967.

You are in the process of preparing for filing with the Securities and Exchange Commission, a Registration Statement on Form S-1. That Registration Statement relates in part to shares of your Common Stock, $1 par value, received by F T Ventures, Inc. in connection with the aforesaid acquisition.

Under the aforesaid acquisition agreement, F T Ventures, Inc. agreed to pay you, in advance, an amount sufficient to reimburse you for half of certain of the expenses to be incurred in connection with that Registration Statement.

You have agreed that F T Ventures, Inc. need not make that advance payment.

In consideration therefor, we each personally agree to guarantee the payment by F T Ventures, Inc. of one-quarter of all registration fees, printing costs, auditors fees (but only in excess of normal fees paid by you for your fiscal year end audit), legal fees and all other incidental out-of-pocket expenses incurred by you in connection with such Registration Statement; provided, however, that our guarantees as aforesaid shall be limited to the amount of $15,000 each and provided, further, that you will forward to us copies of all bills relating to such expenses for examination. These guarantees do not, of course, limit the liability of F T Ventures, Inc. to reimburse you to the extent of one half of such expenses.

Very truly yours,

William D. Fugazy

Otto Marx, Jr.

AAAA

A891

DEFENDANTS' EXHIBIT AAAA

Inter-Department Correspondence

To: Carmen Rodriguez - 43rd Street

Date November 21, 19[illegible]

From: William Denis Fugazy

Subject:

Pursuant to our conversation, please find enclosed W-4 forms for Mr. Irwin Fruchtman and Mr. E. J. Ribakoff. They are to be placed on the payroll effective October 1.

Enclosures

A892

FORM W-4 (Rev. Jan. 1967)
U.S. Treasury Department
Internal Revenue Service

EMPLOYEE'S WITHHOLDING EXEMPTION CERTIFICATE

Type or print full name Eugene J. Ribakoff Social Security Number 030-12-6654

Home address 100 Gold Star Blvd. City Worcester State Mass. ZIP code 01606

EMPLOYEE:
File this form with your employer. Otherwise, he must withhold U.S. income tax from your wages without exemption.

EMPLOYER:
Keep this certificate with your records. If the employee is believed to have claimed too many exemptions, the District Director should be so advised.

HOW TO CLAIM YOUR WITHHOLDING EXEMPTIONS

1. If SINGLE (or if married and wish withholding as single person), write "1." If you claim no exemptions, write "0" . . . .
2. If MARRIED, one exemption each is allowable for husband and wife if not claimed on another certificate.
   (a) If you claim both of these exemptions, write "2"; (b) If you claim one of these exemptions, write "1"; (c) If you claim neither of these exemptions, write "0" . . . . . .
3. Exemptions for age and blindness (applicable only to you and your wife but not to dependents):
   (a) If you or your wife will be 65 years of age or older at the end of the year, and you claim this exemption, write "1"; if both will be 65 or older, and you claim both of these exemptions, write "2" . . . . . .
   (b) If you or your wife are blind, and you claim this exemption, write "1"; if both are blind, and you claim both of these exemptions, write "2" . . . . . .
4. If you claim exemptions for one or more dependents, write the number of such exemptions. (Do not claim exemption for a dependent unless you are qualified under instruction 4 on other side.) . . . . . .
5. If you claim additional withholding allowances for itemized deductions fill out and attach Schedule A (Form W-4), and enter the number of allowances claimed (if claimed file new Form W-4 each year) . . . . . .
6. Add the exemptions and allowances (if any) which you have claimed above and write total . . . . . .
7. Additional withholding per pay period under agreement with employer. (See Instruction 1.) . . . . . $

I CERTIFY that the number of withholding exemptions claimed on this certificate does not exceed the number to which I am entitled. 448—10—7

(Date) 10/6/67 19___ (Signed) [signature]

FORM W-4 (Rev. Jan. 1967)
U.S. Treasury Department
Internal Revenue Service

EMPLOYEE'S WITHHOLDING EXEMPTION CERTIFICATE

Type or print full name Irwin Fruchtman Social Security Number 278-20-1910

Home address 4333 Forestview Dr. City Toledo State Ohio ZIP code 43

EMPLOYEE:
File this form with your employer. Otherwise, he must withhold U.S. income tax from your wages without exemption.

EMPLOYER:
Keep this certificate with your records. If the employee is believed to have claimed too many exemptions, the District Director should be so advised.

HOW TO CLAIM YOUR WITHHOLDING EXEMPTIONS

1. If SINGLE (or if married and wish withholding as single person), write "1." If you claim no exemptions, write "0" . . . .
2. If MARRIED, one exemption each is allowable for husband and wife if not claimed on another certificate.
   (a) If you claim both of these exemptions, write "2"; (b) If you claim one of these exemptions, write "1"; (c) If you claim neither of these exemptions, write "0" . . . . . .
3. Exemptions for age and blindness (applicable only to you and your wife but not to dependents):
   (a) If you or your wife will be 65 years of age or older at the end of the year, and you claim this exemption, write "1"; if both will be 65 or older, and you claim both of these exemptions, write "2" . . . . . .
   (b) If you or your wife are blind, and you claim this exemption, write "1"; if both are blind, and you claim both of these exemptions, write "2" . . . . . .
4. If you claim exemptions for one or more dependents, write the number of such exemptions. (Do not claim exemption for a dependent unless you are qualified under instruction 4 on other side.) . . . . . .
5. If you claim additional withholding allowances for itemized deductions fill out and attach Schedule A (Form W-4), and enter the number of allowances claimed (if claimed file new Form W-4 each year) . . . . . .
6. Add the exemptions and allowances (if any) which you have claimed above and write total . . . . . .
7. Additional withholding per pay period under agreement with employer. (See Instruction 1.) . . . . . $

I CERTIFY that the number of withholding exemptions claimed on this certificate does not exceed the number to which I am entitled. 448—10—7

(Date) 10/6/67 19___ (Signed) [signature]

BEST COPY AVAILABLE

FFFF

DEFENDANTS' EXHIBIT FFFF

Fugazy
PLAINTIFF'S EX: 11-11 FOR ID
DEFENDANT'S EX: FOR ID
DATE: 11/11/71 LESTER D. ISAACS
SHORTHAND REPORTER

DINERS FUGAZY TRAVEL

660 MADISON AVENUE
NEW YORK N.Y. 10021
(212) 751-3434

Office of the President

July 21, 1969

Mr. Otto Marx, Jr.
Marx & Co.
40 Wall Street
New York, N.Y. 10005

Dear Otto:

At the board meeting on Friday, we authorized the registration of $10,000,000 of stock that will be piggy-backed with the current registration of F. T. Ventures.

You might want to take this into consideration when we argue with Julian Weber over the expenses.

Sincerely,

WILLIAM DENIS FUGAZY

WDF/ls

A-894

p. 20

BOTEIN, HAYS, SKLAR & HERZBERG
200 PARK AVENUE
NEW YORK, N.Y. 10017

BERNARD BOTEIN
BEN HERZBERG
SYDNEY C. WINTON
Wm. VICTOR GOLDBERG
JAMES M. GROSSMAN
NATHANIEL WHITEHORN
MILTON KLEIN
ROBERT WOLF
HARRY I. RAND
HOWARD I. RICH
ALVIN M. SCHULMAN
RENEE SCHWARTZ
JULIAN L. WEBER
HOWARD L. WEINREICH
RICHARD L. GOLDBERG
FREDERIC A. NICHOLSON
STANLEY H. KOLBER

CABLE ADDRESS
"HAYGREEN"
TELEPHONE
212-867-5500

August 27, 1969

IIII(e)

Mr. Otto Marx, Jr.,
40 Wall Street,
New York, N.Y.

Re: The Diners' Club, Inc.
Registration Statement

Dear Mr. Marx:

Enclosed are two indemnification agreements from The Diners' Club, Inc., one addressed to F T Ventures, Inc. and one addressed to you personally. Each is in the form annexed as Exhibit B to the respective applicable representation and indemnification statements.

A similar indemnification from Diners is being delivered simultaneously herewith to those persons to whom carbon copies of this letter are addressed.

Very truly yours,

BOTEIN, HAYS, SKLAR & HERZBERG

By: Lawrence I. List
Lawrence I. List

LIL:ss
Enclosures

cc: William D. Fugazy
Louis V. Fugazy
A. Mitchell Liftig

BY HAND

A-895

DINERS CLUB

10 COLUMBUS CIRCLE / NEW YORK, N.Y. 10019 / TELEPHONE: (212) CI 5-1500 / CABLE: "DINCLUB" N.Y.

August 26, 1969

To: F. T. Ventures, Inc.

We are in the process of preparing a registration statement on Form S-1 with respect to shares of our Common Stock, $1 par value, for filing with the Securities and Exchange Commission. Such registration statement as amended when it becomes effective is hereinafter referred to as the "Registration Statement".

We agree to indemnify you and each person who controls you within the meaning of Section 15 of the Securities Act of 1933, as amended (the "Act"), from and against any and all losses, claims, damages or liabilities to you may become subject under the Act, under any other statute, at common law or otherwise, and to reimburse you for any legal or other expenses reasonably incurred by you in connection with any litigation, whether or not resulting in any liability, insofar as such losses, claims, damages, liabilities or litigation arise out of or are based upon, any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or the prospectus or any preliminary prospectus, or upon any omission or alleged omission to state therein any material fact required to be stated therein or necessary to make such statements therein not misleading, and which statements or omissions were made in reliance upon information furnished by us or on our behalf with respect thereto.

Very truly yours,

THE DINERS' CLUB, INC.

By _____
George Faunce III
President

A-896

August 26, 1969

To: William D. Fugazy

We are in the process of preparing a registration statement on Form S-1 with respect to shares of our Common Stock, $1 par value, for filing with the Securities and Exchange Commission. Such registration statement as amended when it becomes effective is hereinafter referred to as the "Registration Statement".

We agree to indemnify you from and against any and all losses, claims, damages or liabilities to which you may become subject under the Securities Act of 1933, as amended, under any other statute, at common law or otherwise, and to reimburse you for any legal or other expenses reasonably incurred by you in connection with any litigation, whether or not resulting in any liability, insofar as such losses, claims, damages, liabilities or litigation arise out of or are based upon, any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or the prospectus or any preliminary prospectus, or upon any omission or alleged omission to state therein any material fact required to be stated therein or necessary to make such statements therein not misleading, and which statements or omissions were made in reliance upon information furnished by us or on our behalf with respect thereto.

Very truly yours,

THE DINERS' CLUB, INC.

By_____
George Faunce III
President

A-897

August 26, 1969

To: Louis V. Fugazy

We are in the process of preparing a registration statement on Form S-1 with respect to shares of our Common Stock, $1 par value, for filing with the Securities and Exchange Commission. Such registration statement as amended when it becomes effective is hereinafter referred to as the "Registration Statement".

We agree to indemnify you from and against any and all losses, claims, damages or liabilities to which you may become subject under the Securities Act of 1933, as amended, under any other statute, at common law or otherwise, and to reimburse you for any legal or other expenses reasonably incurred by you in connection with any litigation, whether or not resulting in any liability, insofar as such losses, claims, damages, liabilities or litigation arise out of or are based upon,any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or the prospectus or any preliminary prospectus, or upon any omission or alleged omission to state therein any material fact required to be stated therein or necessary to make such statements therein not misleading, and which statements or omissions were made in reliance upon information furnished by us or on our behalf with respect thereto.

Very truly yours,

THE DINERS' CLUB, INC.

By_____
George Faunce III
President

A 898

August 26, 1969

To: A. Michael Liftig

We are in the process of preparing a registration statement on Form S-1 with respect to shares of our Common Stock, $1 par value, for filing with the Securities and Exchange Commission. Such registration statement as amended when it becomes effective is hereinafter referred to as the "Registration Statement".

We agree to indemnify you from and against any and all losses, claims, damages or liabilities to which you may become subject under the Securities Act of 1933, as amended, under any other statute, at common law or otherwise, and to reimburse you for any legal or other expenses reasonably incurred by you in connection with any litigation, whether or not resulting in any liability, insofar as such losses, claims, damages, liabilities or litigation arise out of or are based upon, any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or the prospectus of any preliminary prospectus, or upon any omission or alleged omission to state therein any material fact required to be stated therein or necessary to make such statements therein not misleading, and which statements or omissions were made in reliance upon information furnished by us or on our behalf with respect thereto.

Very truly yours,

THE DINERS' CLUB, INC.

By_____
George Faunce III
President

A-899

DINERS CLUB

10 COLUMBUS CIRCLE / NEW YORK, N.Y. 10019 / TELEPHONE: (212) CI 5-1500 / CABLE: "DINCLUB" N.Y.

August 26, 1969

To: Otto Marx, Jr.

We are in the process of preparing a registration statement on Form S-1 with respect to shares of our Common Stock, $1 par value, for filing with the Securities and Exchange Commission. Such registration statement as amended when it becomes effective is hereinafter referred to as the "Registration Statement".

We agree to indemnify you from and against any and all losses, claims, damages or liabilities to which you may become subject under the Securities Act of 1933, as amended, under any other statute, at common law or otherwise, and to reimburse you for any legal or other expenses reasonably incurred by you in connection with any litigation, whether or not resulting in any liability, insofar as such losses, claims, damages, liabilities or litigation arise out of or are based upon, any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or the prospectus or any preliminary prospectus, or upon any omission or alleged omission to state therein any material fact required to be stated therein or necessary to make such statements therein not misleading, and which statements or omissions were made in reliance upon information furnished by us or on our behalf with respect thereto.

Very truly yours,

THE DINERS' CLUB, INC.

By _____
George Faunce III
President

A 900

DEFENDANTS' EXHIBIT JJJJ

August 28, 1969

Mr. Otto Marx, Jr.,
Marx & Co., Inc.
40 Wall Street
New York, N.Y.

Re: The Diners' Club, Inc.
Registration Statement

Dear Mr. Marx:

I refer you to Exhibit A of the representations and indemnification statements you supplied to me earlier this week, on behalf of F T Ventures, Inc. and on behalf of yourself. For convenience, I have xeroxed a copy of that exhibit and enclose it for you. Similar xerox copies are enclosed with the carbon copies of this letter.

The Securities and Exchange Commission requires that, in so-called "secondary offerings", the shareholders whose stock is being registered provide them with a letter giving their reasons for proposed sale. Such letters must be furnished to the Commission before they will permit a registration statement to become effective.

Will you please prepare a letter for F T Ventures and a letter for yourself personally, in the respective forms of Exhibit A, but setting forth the reasons for the proposed sale briefly. The usual reason given is the desirability of diversification of investment; of course, the foregoing is not intended to suggest any limitation on the reasons for the proposed sale by either F T Ventures, Inc. or yourself.

Very truly yours,

BOTEIN, HAYS, SKLAR & HERZBERG

By:
Lawrence I. List

LIS:ss
Enclosure

cc: William D. Fugazy
Louis V. Fugazy
A. Mitchell Liftig

A 901

DEFENDANTS' EXHIBIT KKKK

October 22, 1969

Mr. Otto Marx, Jr.,
Marx & Co., Inc.,
40 Wall Street
New York, N.Y.

Re: The Diners' Club, Inc.
Registration Statement

Dear Mr. Marx:

As I told Mr. Summerlin on Monday, we have received part of the SEC comments on the registration statement.

One of the comments requires the listing of all of the stockholders of F T Ventures, Inc., along with their proportionate interests in that company. We have indicated in the registration statement that you have a 50% beneficial interest in F T Ventures, Inc. and that the Messrs. Fugazy each have a 25% beneficial interest. I recall, however, that there were, at one time, preferred stockholders involved, and we would appreciate it if you would advise us in detail with respect to all of the stockholders of F T Ventures, Inc. in accordance with the SEC comment.

Sincerely,

BOTEIN, HAYS, SKLAR & HERZBERG

By:
Lawrence I. List

A-902

LLLL (E) p. 28

BOTEIN, HAYS, SKLAR & HERZBERG
200 PARK AVENUE
NEW YORK, N.Y. 10017

BERNARD BOTEIN
BEN HERZBERG
SYDNEY C. WINTON
Wm VICTOR GOLDFERG
JAMES H. GROSSMAN
NATHANIEL WHITEHORN
MILTON KLEIN
ROBERT WOLF
HARRY I. RAND
HOWARD I. RICH
ALVIN H. SCHULMAN
RENEE SCHWARTZ
JULIAN L. WEBER
HOWARD L. WEINREICH
RICHARD L. GOLDBERG
FREDERIC A. NICHOLSON
STANLEY H. KOLBER

CABLE ADDRESS
"HAYGREEN"

TELEPHONE
212-867-5500

October 24, 1969

Mr. Otto Marx, Jr.,
Marx & Co.,
40 Wall Street,
New York, N.Y.

Re: The Diners' Club, Inc.
Registration Statement

Dear Mr. Marx:

This will confirm our telephone conversation this morning in which you told me that F T Ventures, Inc. no longer has any class of preferred stock outstanding and that the shareholdings in the common stock of F T Ventures, Inc. are as stated in the registration statement as filed, that is, that you have a 50% beneficial interest and that the Messrs. Fugazy each have 25% beneficial interests.

Very truly yours,

BOTEIN, HAYS, SKLAR & HERZBERG

By: Lawrence I. List

LIL:ss

A-903

MMMM(E)

November 18, 1969

FT Ventures
c/o Otto Marx, Jr.
Marx & Company, Inc.
40 Wall Street
New York, New York

Re: Pending Registration with SEC of Shares of Stock of
The Diners Club, Inc.

Dear Otto:

Subject to the approval of the Diners' Board on November 19th, inconsideration of FT Ventures' withdrawal of its request that Diners register shares of Diners stock owned by FT Ventures, Diners will [a] continue to maintain compensating balances on the FT Ventures loan at Chase in the present amount of approximately $1,350,000.00 and, [b] pay to FT Ventures an amount equal to 3/4 of the interest on said loan at Chase at not to exceed the current rate of interest, provided that such payments shall be made in installments no earlier with respect to any installment than interest payments are due on the aforesaid loan, and provided further that such payments shall be deductible by Diners for Federal Income Tax purposes. Diners further agrees to use its best efforts to cause the above registration statement to become effective as promptly as practicable after June 30th, 1970, upon the same basis of sharing of expenses thereof by FT Ventures as previously agreed.

Very truly yours,

GEORGE FAUNCE, III
President

Accepted & Agreed to:

FT VENTURES, INC.

By _____
Otto Marx, Jr.

For RELEASE Wednesday, October 21, 1970 A904

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

SECURITIES EXCHANGE ACT OF 1934
Release No. 9000

DEFENDANTS' EXHIBIT WWWW

ADOPTION OF REVISED FORM 10-K

The Securities and Exchange Commission has adopted a revision of its Form 10-K under the Securities Exchange Act of 1934. That form is a general form for annual reports by companies having securities registered pursuant to Section 12 of the Act and companies having securities registered under the Securities Act of 1933 which are required to file reports pursuant to Section 15(d) of the Securities Exchange Act. The revision is a part of the program for the revision of the Commission's disclosure requirements recommended by the Disclosure Study Report submitted to the Commission in March 1969. Notice of the proposed revision was published September 15, 1969 in Securities Exchange Act Release 8682.

The revised form is divided into two parts. Companies which file reports pursuant to Section 13 of the Act and are subject to the Commission's proxy and information rules under Section 14 of the Act will ordinarily file only Part I of the form, together with the required financial statements and exhibits. Companies which file reports pursuant to Section 15(d) of the Act will file both Part I and Part II, together with the required financial statements and exhibits.

The purpose of the revision is to provide on an annual basis information which, together with that contained in the proxy or information statement sent to security holders, will furnish a reasonably complete and up-to-date statement of the business and operations of the registrant. The following is a brief summary of the principal changes in the form.

Item 1 of the revised form requires that, where a registrant and its subsidiaries are engaged in more than one line of business there shall be disclosed for each of a maximum of the last five fiscal years the approximate amount or percentage of total sales and operating revenues and the contribution to income before income taxes and extraordinary items attributable of each line of business which contributed, during either of the last two fiscal years, a certain proportion to either the total of sales and revenues or income before income taxes and extraordinary items. A similar requirement has previously been added to Form 10 and to certain registration forms under the Securities Act of 1933.

A new item, Item 2, has been added to the form calling for a summary of operations for the past five years. This summary is similar to the one included in the revised Form 10.

The revised form contains a new item calling for a description of the properties of the registrant and its subsidiaries. The purpose of the item is to keep up to date information with respect to the plants, mines and other physical properties of the enterprise. In the draft of the revised form as

ublished for comment, it was proposed to include instructions to this tem to call for certain information in regard to the operations of ompanies in extractive industries. The Commission has determined not o adopt these instructions at this time.

Prior to the revision of Form 10-K, it contained an item, Item 2, hich called for information with respect to increases and decreases in utstanding equity securities during the fiscal year covered by the re- ort. This item has been retained as Item 6 in the revised form. It as been concluded that such information is useful both for security olders and investors and for administrative purposes.

The items relating to management, remuneration and transactions with nsiders contained in Part II of the form, have been revised to bring them nto accord with the corresponding requirements of the Commission's proxy ules. Thus the revised form included requirements for the disclosure of ndebtedness of insiders to the registrant and its subsidiaries and trans- actions between insiders and pension, retirement, savings and similar plans rovided by the registrant or its parents or subsidiaries.

The instructions as to financial statements have been revised to re- quire comparative financial statements, including source and application of funds statements, for the last two fiscal years. Comparative statements for the last two fiscal years are also required to be included in annual reports to stockholders by Rules 14a-3 and 14c-3 of the proxy and infor- mation rules under Section 14 of the Act.

A copy of the revised form is attached to this release.

The foregoing action, which was taken pursuant to the Securities Exchange Act of 1934, particularly Sections 13, 15(d) and 23(a) thereof, shall be effective with respect to reports filed on Form 10-K for fiscal years ending on or after December 31, 1970.

By the Commission.

Orval L. DuBois
Secretary

BEST COPY AVAILABLE

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C.
20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

GENERAL INSTRUCTIONS

A. Rules as Use of Form 10-K.

(a) Form 10-K shall be used for annual reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for which no other form is authorized or prescribed.

(b) Reports on this form shall be filed within 90 days after the end of the fiscal year covered by the report. However, all schedules required by Regulation S-X may, at the option of the registrant, be filed as an amendment to the report not later than 120 days after the end of the fiscal year covered by the report. Such amendment shall be filed under cover of Form 8.

B. Application of General Rules and Regulations.

(a) The General Rules and Regulations under the Act contain certain general requirements which are applicable to reports on any form. These general requirements should be carefully read and observed in the preparation and filing of reports on this form.

(b) Particular attention is directed to Regulation 12B which contains general requirements regarding matters such as the kind and size of paper to be used, the legibility of the report, the information to be given whenever the title of securities is required to be stated, and the filing of the report. The definitions contained in Rule 12b-2 should be especially noted. See also Regulations 13A and 15D.

C. Preparation of Report.

(a) This form is not to be used as a blank form to be filled in, but only as a guide in the preparation of the report on paper meeting the requirements of Rule 12b-12. The report shall contain the item numbers and captions of all items but the text of such items may be omitted. The answers to the items shall be prepared in the manner specified in Rule 12b-13.

(b) Except where information is required to be given for the fiscal year or as of a specified date, it shall be given as of the latest practicable date.

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C.
20549

SECURITIES EXCHANGE ACT OF 1934
Release No. 7799

ADOPTION OF AMENDMENTS TO FORMS 10, 12, 10-K AND 12-K

The Securities and Exchange Commission has adopted certain amendments to its Forms 10, 12, 10-K and 12-K under the Securities Exchange Act of 1934. Form 10 is a general form for registration of securities pursuant to Section 12 of the Act and Form 12 is an optional form which may be used for such registration by certain issuers which file reports with other Federal agencies. Form 10-K is a general form for annual reports by issuers which have securities registered pursuant to Section 12 and by certain issuers which have registered securities under the Securities Act of 1933 and are required to file reports pursuant to Section 15(d) of the Securities Exchange Act of 1934. Form 12-K is used for annual reports by issuers of the type for which Form 12 is provided.

Item 12 of Form 10 and Item 1 of Forms 12, 10-K and 12-K call for a statement of the number of record holders of outstanding equity securities of the issuer. The term "equity security" as defined in Section 3(a)(11) of the Act includes stock purchase rights such as employee stock options. However, since the chief purpose of the item is to obtain information with respect to the extent of the distribution of equity securities which are traded in the market, the furnishing of information with respect to the number of holders of nontransferable employee stock options does not appear to be significant. Accordingly, the instructions to the above-mentioned items have been amended to provide that information need not be given with respect to such options.

Item 2 of Forms 10-K and 12-K calls for information with respect to increases and decreases in outstanding equity securities during the fiscal year covered by the report. The information is required to be given in the form of a reconciliation between the amounts shown to be outstanding on the balance sheet filed with the report and the amount shown on the registrant's balance sheet for the previous fiscal year. Similar information with respect to employee stock options is required to be set forth in the notes to the registrant's financial statements and the question has been raised whether Item 2 need apply to such options. In view of the information furnished in the notes to financial statements with respect to employee stock options, it does not appear necessary for this information to be furnished in answer to Item 2 of the forms. Accordingly, the instructions to that item have been amended to exclude information with respect to such options.

The text of the amendments is set forth below.

I. Instruction 1 to Item 12 of Form 10 and to Item 1 of Forms 12, 10-K and 12-K is amended to read as follows:

1. Attention is directed to the definition of the term "equity security" in Section 3(a)(11) of the Act. However, information need not be given with respect to the number of holders of "restricted stock options," "qualified stock options" or options granted pursuant to a plan qualified as an "employee stock purchase plan," as those terms are defined in Sections 422 through 424 of the Internal Revenue Code of 1954 as amended.

II. The instructions to Item 2 of Forms 10-K and 12-K are amended to read as follows:

Instructions. 1. The information shall be prepared in the form of a reconciliation between the amounts shown to be outstanding on the balance sheet to be filed with this report and the amounts shown on the registrant's balance sheet for its previous fiscal year. Similar or related transactions, or numerous small transactions, may be grouped together showing the dates between which all such transactions occurred.

2. Information need not be given with respect to the granting or expiration of "restricted stock options," "qualified stock options" or options granted pursuant to a plan qualified as an "employee stock purchase plan," as those terms are defined in Sections 422 through 424 of the Internal Revenue Code of 1954, as amended, but information shall be included with respect to the issuance of equity securities upon the exercise of such options.

In view of the fact that the foregoing amendments relax previously existing requirements, the Commission finds that notice and procedure pursuant to the Administrative Procedure Act is not necessary and that such amendments may be made effective upon publication. Accordingly, the foregoing amendments shall become effective upon publication January 21, 1966.

By the Commission.

Orval L. DuBois
Secretary

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
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SECURITIES & EXCHANGE COMMISSION
NEW YORK REGIONAL OFFICE

For RELEASE Friday, March 5, 1965

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C.
20549

MAR 5 1965
RECEIVED
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SECURITIES EXCHANGE ACT OF 1934
Release No. 7545

ADOPTION OF AMENDMENTS TO FORM 10-K

The Securities and Exchange Commission has adopted certain amendments to Form 10-K under the Securities Exchange Act of 1934. This form is a general form for annual reports of issuers having securities registered on a national securities exchange and issuers required to file reports pursuant to Section 15(d) of that Act. The purpose of the amendments is to make the form available for annual reports of issuers of securities registered pursuant to the recently enacted Section 12(g) of the Act.

Notice of the proposed amendments was published December 31, 1964 in Securities Exchange Act Release No. 7494. A number of helpful comments were received in response to this release and certain changes in the proposed amendments have been made as a result of the consideration of the comments submitted and further consideration of the proposed amendments by the Commission. The principal changes are described below.

The general instructions to the form have been revised to make appropriate references to reporting by issuers having securities registered under the new Section 12(g). The revised instructions have been placed at the beginning of the form, instead of following the facing sheet, in order to set them forth more prominently and to avoid interrupting the continuity of the form proper.

Eight copies of the report are required to be filed with the Commission. Four copies are to be kept in the Commission's principal office for the use of the staff and for public inspection. The additional copies will be placed in the principal regional offices of the Commission and in the regional office for the region in which the registrant has its principal office. This is intended to make the information contained in the report more readily available to interested persons, in line with recommendations of the Special Study of Securities Markets.

The facing sheet of this form asks for the registrant's I.R.S. employer identification number. The Commission's electronic data processing program requires the use of a single number for each registrant. The I.R.S. number, which is readily available, will provide means whereby all filings made by registrant with the Commission under one or more acts can be readily identified through use of its equipment.

Item 1 of the previous form has been deleted and Item 2 renumbered 1. This item which previously called for the number of stockholders cord has been amended to require information with respect to the ximate number of holders of record of each class of equity securities c registrant. In the Form as published for comment, it was proposed vise Item 1 in Form 10-K to require disclosure of the number of s known by the registrant to be held for the account of customers e names of brokers. After consideration of the comments received Commission has decided not to require disclosure of this information.

The amended form includes a new Item 2 calling for a summary of all actions involving increases or decreases in outstanding equity securities g the fiscal year. The information is to be given in the form of a ciliation between the amounts shown on the balance sheet as of the end e fiscal year and those shown on the previous year-end balance sheet.

Item 7, which calls for the remuneration of officers and directors of egistrant, has been amended to clarify the item in certain respects and ovide that the remuneration of individual directors and officers need e given with respect to persons who ceased to be officers and directors to the filing of the initial registration statement, provided the same mation is not otherwise required to be disclosed in material filed with Commission. The amended item also requires that in stating the gate remuneration of all directors and officers as a group, the er of persons in the group shall be stated.

The proposed amendments to Form 10-K as published for comment contained posed amendment to Item 9, which calls for information regarding the est of management and others in certain transactions, to conform the to the proposed amendment of the corresponding item of the proxy rules. Commission has determined to defer amending Item 9 of Form 10-K to a date in order to permit further study of the problems involved.

The Instructions as to Exhibits have been amended to require the g of material contracts and material patents in accordance with the ied provisions of the Act. Such instructions require the filing ll material contracts, not made in the ordinary course of business, were performed or to be performed in whole or in part after the ming of the fiscal year. However, the refiling of any material acts previously filed is not required.

A copy of Form 10-K as amended is attached to this release.

The amended Form, which is adopted pursuant to Sections 13, 15(d) 23(a) of the Securities Exchange Act of 1934, shall be applicable nual reports filed on or after April 5, 1965, provided that any er desiring, or required, to file a report on Form 10-K prior to date may file such report on the amended form.

By the Commission.

Orval L. DuBois
Secretary

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C.
20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

GENERAL INSTRUCTIONS

A. Rule as to Use of Form 10-K.

(a) Form 10-K shall be used for annual reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for which no other form is prescribed.

(b) Reports on this form shall be filed within 120 days after the end of the fiscal year covered by such reports.

B. Application of General Rules and Regulations.

(a) The General Rules and Regulations under the Act contain certain general requirements which are applicable to reports on any form. These general requirements should be carefully read and observed in the preparation and filing of reports on this form.

(b) Particular attention is directed to Regulation 12B which contains general requirements regarding matters such as the kind and size of paper to be used, the legibility of the report, the information to be given whenever the title of securities is required to be stated, and the filing of the report. The definitions contained in Rule 12b-2 should be especially noted. See also Regulations 13A and 15D.

C. Preparation of Report.

(a) This form is not to be used as a blank form to be filled in, but only as a guide in the preparation of the report on paper meeting the requirements of Rule 12b-12. The report shall contain the item numbers and captions of all items required to be answered, but the text of such items may be omitted provided the answers thereto are prepared in the manner specified in Rule 12b-13.

(b) Except as otherwise stated, the information required shall be given as of the end of the registrant's fiscal year, or as of the latest practicable date subsequent thereto.

Item 1 of the previous form has been deleted and Item 2 renumbered
m 1. This item which previously called for the number of stockholders
record has been amended to require information with respect to the
proximate number of holders of record of each class of equity securities
the registrant. In the Form as published for comment, it was proposed
revise Item 1 in Form 10-K to require disclosure of the number of
ares known by the registrant to be held for the account of customers
the names of brokers. After consideration of the comments received
e Commission has decided not to require disclosure of this information.

The amended form includes a new Item 2 calling for a summary of all
ansactions involving increases or decreases in outstanding equity securities
ring the fiscal year. The information is to be given in the form of a
conciliation between the amounts shown on the balance sheet as of the end
the fiscal year and those shown on the previous year-end balance sheet.

Item 7, which calls for the remuneration of officers and directors of
e registrant, has been amended to clarify the item in certain respects and
provide that the remuneration of individual directors and officers need
t be given with respect to persons who ceased to be officers and directors
ior to the filing of the initial registration statement, provided the same
formation is not otherwise required to be disclosed in material filed with
e Commission. The amended item also requires that in stating the
gregate remuneration of all directors and officers as a group, the
mber of persons in the group shall be stated.

The proposed amendments to Form 10-K as published for comment contained
proposed amendment to Item 9, which calls for information regarding the
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em to the proposed amendment of the corresponding item of the proxy rules.
e Commission has determined to defer amending Item 9 of Form 10-K to a
ter date in order to permit further study of the problems involved.

The Instructions as to Exhibits have been amended to require the
ling of material contracts and material patents in accordance with the
ended provisions of the Act. Such instructions require the filing
all material contracts, not made in the ordinary course of business,
ich were performed or to be performed in whole or in part after the
ginning of the fiscal year. However, the refiling of any material
ntracts previously filed is not required.

A copy of Form 10-K as amended is attached to this release.

The amended Form, which is adopted pursuant to Sections 13, 15(d)
d 23(a) of the Securities Exchange Act of 1934, shall be applicable
annual reports filed on or after April 5, 1965, provided that any
suer desiring, or required, to file a report on Form 10-K prior to
ch date may file such report on the amended form.

By the Commission.

Orval L. DuBois
Secretary

EXH 7

7

FUGAZY TRAVEL BUREAU INC.
ESTABLISHED 1870
488 MADISON AVENUE / NEW YORK, N. Y. 10022 / PLAZA 1-3434

A913

IN REPLY PLEASE REFER TO

DEFENDANTS' EXHIBIT H
FOR IDENTIFICATION

Memorandum of understanding between PIERBUSSETI, INC., 665 Fifth Avenue New York, New York, and OTTO MARX, JR. 40 Wall Street, New York, New York, for the purchase by Pierbusseti Inc. of the current assets, the name, goodwill, and business of the Fugazy Travel Bureau, Inc., 488 Madison Avenue, New York, New York, and its wholly owned subsidiaries, and the assumption by Pierbusseti, Inc. of the total current liabilities of Fugazy Travel Bureau, Inc.

1. Pierbusseti, Inc. will purchase as of the balance sheet dated July 31, 1966 the current assets of Fugazy Travel Bureau, Inc., and assume the total liabilities as of the same date of Fugazy. Pierbusseti, Inc. agrees to accept as of the aforementioned date a net deficit between current assets and current liabilities, of $350,000. Mr. Otto Marx, Jr. agrees to provide such a balance sheet that will not exceed this deficit in working capital.

As part of this transaction and included in the aforementioned purchase price will be nine branch offices of Fugazy Travel Bureau, Inc.; the furniture and fixtures of which will be valued at $550,000.

2. In addition to the $350,000 net deficit which Pierbusseti, Inc. will assume, they will pay $250,000 in notes of Pierbusseti, Inc. to Otto Marx, Jr. for the net current assets of Fugazy. Such notes to be five year 6% serial notes payable $25,000.00 every six months from date of closing until fully repaid. Such notes to be an obligation of Pierbusseti, Inc. and fully guaranteed as to principal and interest by Banca Privata Finanziaria, Milan, Italy.

3. Assuming the balance sheet of Fugazy Travel Bureau as of July 31, 1966 shows a deficit net working capital position of $350,000 or less, the closing date of this transaction shall be 30 days later, August 31, 1966. If the July 31, 1966 balance sheet shows a greater deficit than $350,000, the date of the transaction and the closing shall be postponed 30 days. If on August 31, 1966 the deficit still exceeds $350,000 of net current assets over net current

liabilities on the balance sheet, the agreement may be cancelled by either party, Pierbusseti or Otto Marx, Jr.

4. Pierbusseti, Inc. agrees to employ William D. Fugazy for a minimum period of three (3) years in the capacity of sales consultant, at a salary of $50,000 per year. In addition, Mr. Fugazy will be compensated by a mutually satisfactory incentive contract covering the Franchise Program (after August 31, 1967) and Incentive Group Program, such arrangement to be negotiated and agreed upon prior to June 30, 1966.

5. The Philadelphia office of the Fugazy Travel Bureau, Inc. shall be excluded from this transaction.

(A) The name Fugazy Travel Bureau, Inc. will be made available to the Philadelphia office as part of the overall conditions of the transactions. It being understood that, excluding provisions as outlined below in the Franchise Program, the name, Fugazy Travel Bureau, Inc., shall be an asset purchased by Pierbusseti, Inc., and not used by Otto Marx, Jr. or any other officers of Fugazy Travel Bureau, Inc.

6. Simultaneously with the closing, Pierbusseti, Inc. will form a corporation to be called "FUGAZY FRANCHISES, INC."for the purpose of isolating all franchise transactions from both Pierbusseti, Inc. and the Fugazy Travel Bureau. Such corporation will then take over the Franchises previously set up and operating.

A. Fugazy Franchises, Inc. will have the exclusive right to sell Franchises in accordance with a copy of the Franchise agreement attached through August 31, 1967. All income developed from existing Franchises and from Franchises developed during the period from the closing to August 31, 1967 will go to Otto Marx, Jr. and/or other principals of the company.

B. Beginning September 1, 1967, Pierbusseti, Inc. regains the exclusive rights for all future franchise selling rights.

7. Pierbusseti, Inc. warrants it will supply as of December 31st of each year to Otto Marx, Jr. an audited balance sheet and income account, audited by a mutually satisfactory auditor until all the outstanding five year 6% serial notes are retired. Such audit to be delivered to Otto Marx, Jr. as soon as

practicable after the close of the year but in no case later than six weeks thereafter.

8. The principals of Fugazy Travel Bureau, Inc. make the following warranties:

A. They will change the name of the remainder Corporation (Fugazy Travel Bureau, Inc.) and its subsidiaries as soon as possible, but not later than December 31, 1966.

B. Provide to Pierbusseti, Inc. a consolidated balance sheet as of June 30, 1966 and permit Pierbusseti's auditors to make an audit of the company.

C. Represent to Pierbusseti, Inc. that there are no personnel employment, equipment or lease agreements unless listed in the agreement with Pierbusseti, Inc.

D. Not engage in the travel business for a period of three (3) years without the consent of Pierbusseti, Inc.

E. Not solicit the existing travel accounts of Fugazy Travel Bureau, Inc. which may divert such business away from Pierbusseti, Inc. for a period of three (3) years.

F. Mr. William D. Fugazy will not engage in the travel business in competition to Pierbusseti, Inc. (except as a representative of Pierbusseti) for a period of three (3) years.

G. They will not release information or otherwise publicize the intended purchase of Fugazy Travel Bureau, Inc. by Pierbusseti, Inc., without the consent of Pierbusseti, Inc.

H. Will not sell or negotiate to sell the Fugazy Travel Bureau, Inc. to other parties from the date of this agreement until September 30th, 1966 or sooner, if there should be a cancellation of this agreement in accordance with paragraph 3, above.

9. Pierbusseti, Inc. will have the right of offset against the 6% serial note payment for any liabilities arising in a breach of the warranties of Otto Marx, Jr. and Fugazy Travel Bureau, Inc., listed in item 8 above.

Otto Marx, Jr.
Fugazy Travel Bureau

Sindona or Francolini
or by written proxy
PIERBUSSETI, INC.

3. indemnify Pierbusseti, Inc., against any personnel employment, equipment, or lease agreements unless hereafter agreed to by Pierbusseti, Inc.

4. indemnify Pierbusseti, Inc., against any lawsuits, liens, or claims which have arisen or may arise as a result of operations prior to date of acquisition by Pierbusseti, Inc.

5. not engage in the travel business or any competitive element of the travel business to Pierbusseti, Inc., for a period of four (4) years without the consent of Pierbusseti, Inc.

6. a period of four (4) years, not to solicit the existing travel accounts of Fugazy Travel Bureau, Inc., which may divert such business away from Pierbusseti, Inc.

7. Consider Mr. William Fugazy as a principal insofar as the provisions of this Statement of Conditions relates to the restrictions against competitive practices, until an agreement is negotiated between Pierbusseti, Inc., and Mr. Fugazy.

8. not to release information or otherwise publicize the intended purchase of Fugazy Travel Bureau, Inc., by Pierbusseti, Inc., without the consent of Pierbusseti, Inc.

9. not to sell or negotiate to sell Fugazy Travel Bureau, Inc., to other parties from the date of this agreement until it may be determined after verification and audit that all aforementioned conditions cannot be agreed to or negotiated.

The terms and conditions of payment for the sale of Fugazy Travel Bureau, Inc. are to be negotiated.

Signed.....

OTTO MARX, JR.
FOR : FUGAZY TRAVEL BUREAU, INC.

A.M. PISCATELLA
FOR : PIERBUSSETI, INC.

DRAFT DRAFT DRAFT

Following is a statement of conditions which shall form the basis of an Agreement for Pierbusseti, Inc., to acquire, and Fugazy Travel Bureau, Inc., to sell, the Assets, Liabilities and Goodwill of Fugazy Travel Bureau, Inc., its wholly-owned subsidiaries, and any equity it may hold in other companies or enterprises.

1. Pierbusseti, Inc., agrees to pay $250,000 for the goodwill of Fugazy Travel Bureau, Inc.

2. Pierbusseti, Inc., agrees to accept a deficit of current assets versus current liabilities not to exceed $300,000 at the agreed time of acquisition. The basis for this figure is the deficit stated in the Consolidated Balance Sheet (unaudited), attached hereto, as at March 31, 1966.

3. Date of intended acquisition of Fugazy Travel Bureau, Inc., shall be approximately June 30, 1966. If the date of June 30, 1966 cannot be met, then a new date shall be negotiated as well as terms and conditions of acquisition.

4. Subject to negotiated agreement, Pierbusseti, Inc., agrees to employ Mr. William Fugazy for a minimum period of three (3) years in the capacity of Sales Consultant.

5. Pierbusseti, Inc., agrees to permit the sale of the Philadelphia office of Fugazy Travel Bureau, Inc., and the proceeds of such sale shall accrue to the present principals of Fugazy Travel Bureau, Inc., provided:

   A. the extent to which the Philadelphia office will use the name "FUGAZY" must be approved by Pierbusseti, Inc.

   B. the billings and gross business of the Philadelphia office do not exceed 2.5 million dollars in the Fugazy Travel Bureau, Inc. fiscal period ending September 30, 1966.

The principals of Fugazy Travel Bureau, Inc., agree to:

1. provide to Pierbusseti, Inc., a certified and audited Consolidated Balance Sheet as at June 30, 1966.

2. permit the audit by Pierbusseti, Inc., of its records so as to assure that Fugazy Travel Bureau, Inc., owns and operates ten (10) travel offices whose gross billings approximate $20 million per annum and that the Revenue and Expense estimates contained in its "Projected Income Statement" (attached hereto), are substantially accurate.

A918
DEFENDANTS' EXHIBIT H-1
FOR IDENTIFICATION

Δ EXH #1

DRAFT DRAFT DRAFT

Following is a statement of conditions which shall form the basis of an Agreement for Pierbusseti, Inc., to acquire, and Fugazy Travel Bureau, Inc., to sell, the Assets, Liabilities and Goodwill of Fugazy Travel Bureau, Inc., its wholly-owned subsidiaries, and any equity it may hold in other companies or enterprises.

1. Pierbusseti, Inc., agrees to pay $250,000 for the goodwill of Fugazy Travel Bureau, Inc.

2. Pierbusseti, Inc., agrees to accept a deficit of current assets versus current liabilities not to exceed $300,000 at the agreed time of acquisition. The basis for this figure is the deficit stated in the Consolidated Balance Sheet (unaudited), attached hereto, as at March 31, 1966.

3. Date of intended acquisition of Fugazy Travel Bureau, Inc., shall be approximately June 30, 1966. If the date of June 30, 1966 cannot be met, then a new date shall be negotiated as well as terms and conditions of acquisition.

4. Subject to negotiated agreement, Pierbusseti, Inc., agrees to employ Mr. William Fugazy for a minimum period of three (3) years in the capacity of Sales Consultant.

5. Pierbusseti, Inc., agrees to permit the sale of the Philadelphia office of Fugazy Travel Bureau, Inc., and the proceeds of such sale shall accrue to the present principals of Fugazy Travel Bureau, Inc., provided:

   A. the extent to which the Philadelphia office will use the name "FUGAZY" must be approved by Pierbusseti, Inc.

   B. the billings and gross business of the Philadelphia office do not exceed 2.5 million dollars in the Fugazy Travel Bureau, Inc. fiscal period ending September 30, 1966.

The principals of Fugazy Travel Bureau, Inc., agree to:

1. provide to Pierbusseti, Inc., a certified and audited Consolidated Balance Sheet as at June 30, 1966.

2. permit the audit by Pierbusseti, Inc., of its records so as to assure that Fugazy Travel Bureau, Inc., owns and operates ten (10) travel offices whose gross billings approximate $20 million per annum and that the Revenue and Expense estimates contained in its "Projected Income Statement" (attached hereto), are substantially accurate.

3. indemnify Pierbusseti, Inc., against any personnel employment, equipment, or lease agreements unless hereafter agreed to by Pierbusseti, Inc.

4. indemnify Pierbusseti, Inc., against any lawsuits, liens, or claims which have arisen or may arise as a result of operations prior to date of acquisition by Pierbusseti, Inc.

5. not engage in the travel business or any competitive element of the travel business to Pierbusseti, Inc., for a period of four (4) years without the consent of Pierbusseti, Inc.

6. a period of four (4) years, not to solicit the existing travel accounts of Fugazy Travel Bureau, Inc., which may divert such business away from Pierbusseti, Inc.

7. Consider Mr. William Fugazy as a principal insofar as the provisions of this Statement of Conditions relates to the restrictions against competitive practices, until an agreement is negotiated between Pierbusseti, Inc., and Mr. Fugazy.

8. not to release information or otherwise publicize the intended purchase of Fugazy Travel Bureau, Inc., by Pierbusseti, Inc., without the consent of Pierbusseti, Inc.

9. not to sell or negotiate to sell Fugazy Travel Bureau, Inc., to other parties from the date of this agreement until it may be determined after verification and audit that all aforementioned conditions cannot be agreed to or negotiated.

The terms and conditions of payment for the sale of Fugazy Travel Bureau, Inc. are to be negotiated.

Signed.....

OTTO MARX, JR.
FOR : FUGAZY TRAVEL BUREAU, INC.

A.M. PISCATELLA
FOR : PIERBUSSETI, INC.

A.M. Piscitella

Δ EXH H-2

DEFENDANTS' EXHIBIT H-2
FOR IDENTIFICATION

FUGAZY TRAVEL BUREAU, INC. AND WHOLLY-OWNED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

March 31, 1966
Unaudited

ASSETS		CONSOLIDATED TOTAL
CURRENT ASSETS		
Cash		$230,593
Accounts Receivable, Customers	$2,121,357	
Less: Allowance for doubtful accounts	(120,301)	2,001,056
Commissions receivable from airlines		30,669
Deposit Air Traffic Conference		174,000
Other notes and accounts receivable from disposition of branch offices		7,115
Cash value of life insurance		44,112
Prepaid expenses, deposits, etc.		227,928
TOTAL CURRENT ASSETS		$ 2,715,473
CURRENT LIABILITIES		
Payable to airlines and other travel facilities		$ 2,361,440
Accounts payable, Fugazy Incentive Corp.		1,871
Notes payable secured by accounts receivable		544,741
Accrued expenses		151,983
TOTAL CURRENT LIABILITIES		$ 3,060,035

A EXH H-3

A921

DEFENDANTS' EXHIBIT H-3
FOR IDENTIFICATION

OTHER CONSIDERATIONS

Estimated profit 1966		$100,000
Sale of Philadelphia office		300,000
Sale of Franchises 1966		300,000
	TOTAL	$700,000

Tower Note		$150,000
Loans from Otto Marx, Jr.		550,000
	TOTAL	$700,000

A EXH H-4

A922

H4

DEFENDANTS' EXHIBIT H-4
FOR IDENTIFICATION

FUCAZY TRAVEL BUREAU, INC.
PROJECTED INCOME STATEMENT
For Year Ending 9/30/66

BEST COPY AVAILABLE

	5 Months To 2/28/66	7 Months To 9/30/66	Total For Year
Revenues:			
Group	$ 70,000	$ 650,000	ACTUAL CONTRACT $ 720,000
Reg. & Other	367,311	516,000	883,311
Total Revenues	$ 437,311	$1,166,000	$1,603,311
Expenses:			
Salaries	376,197	415,517	791,714
Selling Expenses	30,517	61,601	92,118
Sub-Total	$ 406,714	$ 477,118	$ 883,832
General & Administrative			
Rent	37,161	44,128	81,289
Electricity	1,817	2,100	3,917
Tel & Tel	42,030	35,000	77,030
Stationery & Printing	11,954	12,000	23,954
Postage	7,406	11,900	19,306
Messenger	9,985	14,000	23,985
Depreciation	13,532	12,000	25,532
Insurance	12,771	12,000	24,771
Taxes	22,207	26,138	48,345
Professional Fees	10,095	9,000	16,095
Repair & Maintenance	4,975	5,000	9,975
Dues & Subscriptions	3,645	3,000	6,645
Clerical Hire	5,661	2,500	8,161
Receptionist Service	888	1,239	2,127
Bank Charges	695	750	1,445
Interest	70,173	56,000	126,173
Equipment Rental	2,596	2,000	4,596
Misc.	5,000	7,000	12,000
Sub-Total	$ 262,591	$ 255,755	$ 518,346
Total Expenses	$ 669,305	$ 732,873	$1,402,178
Net Profit or (Loss)	$(231,994)	$ 433,127	$ 201,133

A GXH L

A923

DEFENDANTS' EXHIBIT L
FOR IDENTIFICATION

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

FUGAZY TRAVEL BUREAU, INC.,

Plaintiff,

-against-

TOWER CREDIT CORPORATION

Defendant.

COMPLAINT

Plaintiff, by its attorneys, Kramer, Marx, Greenlee & Backus, complaining of the defendant respectfully alleges as follows:

FIRST: Fugazy Travel Bureau, Inc., (hereinafter referred to as "Fugazy") is a corporation duly incorporated by and existing under the laws of the State of New York, with its principal place of business at 488 Madison Avenue, New York City, New York.

SECOND: Upon information and belief, defendant Tower Credit Corporation, formerly known as Tower Acceptance Corporation and as Tower Universal Corporation (hereinafter referred to as "Tower"), is a corporation duly incorporated by and existing under the laws of the State of Delaware, with its principal place of business in the State of Florida

THIRD: The matter in controversy exceeds, exclusive of interest and costs, the sum of $10,000.

FOURTH: From September, 1961 until the month of February, 1963, Tower was the owner of all of the outstanding stock of Fugazy.

FIFTH: As of February 15, 1963, Tower entered into and became a party to a written agreement by and between Tower, Travelmarx, Inc.(hereinafter referred to as "Travelmarx"), a New York corporation with its principal office at 40 Wall Street, New York City, Fugazy and Mr. Otto Marx, Jr. (which agreement is hereinafter referred to as the "Purchase Agreement"), and which provided for the sale by Tower to Travelmarx of all of Tower's stock holdings in Fugazy, for a gross purchase price of $1,400,000.

SIXTH: Plaintiff is the surviving corporation of the consolidation of March 26 1963 between Fugazy and Travelmarx.

SEVENTH: On or about February 28, 1963 all of the parties to the Purchase Agreement did execute and enter into a first amendment to the Purchase Agreement.

EIGHTH: During the year 1962 and as of the date of the Purchase Agreement Fugazy owned all of the outstanding common stock of the following corporations engaged in the travel business, to wit., Fugazy Travel Bureau, Inc. of Illinois; Fugazy Travel Bureau, Inc. of California; Fugazy Travel Bureau, Inc. of Dallas; Fugazy Travel Bureau, Inc. of Washington; Fugazy Travel Bureau, Inc. of San Francisco; Fugazy Travel Bureau, Inc. of Orange-Rockland; Tom Duffy Travel Service, Inc.; Percival Tours, Inc.; Westheim Travel Service, Inc.; and Westheim Travel Service, Inc. of Stamford; (which corporations together with Fugazy are hereinafter referred to as the "Fugazy Group").

NINTH: There was annexed as an Exhibit to the Purchase Agreement, as amended, a copy of the consolidated balance sheet of the Fugazy Group as of September 30, 1962 and a consolidated statment of income and expense of the Fugazy Group for the year ended September 30, 1962, and a copy of the balance sheet of Fugazy as of December 31, 1962 and of the statement of income and expense of Fugazy for the three months then ended.

TENTH: In furtherance of the transaction provided for in the Purchase Agreement, and for the purpose of inducing Travelmarx to enter into and consummate such Purchase Agreement, Tower did represent and warrant to Travelmarx that such balance sheets and statements of income and expense were prepared in accordance with generally accepted accounting principles applied on a consistent basis and presented fairly the financial position of the Fugazy Group and Fugazy on the dates of such balance sheets and the results of their operations for the period covered by such statements of income and expense.

ELEVENTH: The subject matter of the said representation and warranty made by Tower was material to the transaction provided for in the Purchase Agreement.

TWELFTH: The aforesaid representation by Tower to Travelmarx was false and misleading when made and on February 28, 1963, the date on which the acquisition was consummated, and the aforesaid warranty by Tower to Travelmarx has been breached, in that such balance sheets overstated the net worth of the Fugazy Group as of September 30, 1962 by $167,205.71, and of Fugazy as of December 31, 1962 by $384,011.97, and in that such statments of

income and expense overstated the income of the Fugazy Group for the twelve months ended September 30, 1962 by $161.403.81, and overstated the income of Fugazy for the three months ended December 31, 1962 by $205.351.95.

THIRTEENTH: In reliance on Tower's representation and warranty as aforesaid, Travelmarx did execute and enter into the Purchase Agreement and did consummate the transaction provided for therein by acquiring Tower's stockholdings in Fugazy, on or about February 28, 1963, for a gross purchase price of $1,400.000.

FOURTEENTH: As a result of Tower's misrepresentation and breach of warranty as aforesaid, plaintiff has suffered damage in the aggregate amount of $395,313.76, no part of which has been paid although duly demanded.

WHEREFORE, plaintiff demands judgment against the defendant in the amount of $395,313.76, with interest from February 28, 1963, together with the costs and disbursements of this action.

KRAMER, MARX, GREENLEE & BACKUS
Attorneys for Plaintiff

By _____
A Member of the Firm

Office and Post Office Address
29 Broadway
New York, New York 10006

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

----------X

FUGAZY TRAVEL BUREAU, INC.,

Plaintiff,

-against-

ERNST & ERNST,

Defendant.

----------X

FURTHER AFFIDAVIT IN SUPPORT OF PLAINTIFF'S MOTIONS

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

ANTHONY F. LoFRISCO, being duly sworn, deposes and says:

1. I beg the Court's indulgence in submitting this affidavit in reply to the latest affidavit of Henry L. King in order to correct the misleading and distorted statements in that affidavit. Deponent will attempt to be brief.

The Default Judgment

2. The Appellate Division clearly affirmed Mr. Justice Riccobono's order; which did not order service of a further copy of the supplemental complaint. In all events the defendant expressly agreed by stipulation in writing to serve the answer ten (10) days after the Appellate Division order. None of these facts can be controverted and defendant's purported defense in this regard is a sham.

The Amendment of the Ad Damnum Clause

3. In an effort to eliminate Defendant's claim of prejudice resulting from their alleged inability to conduct discovery, I attempted to obtain permission to have Defendants examine the books, records and other writings which are now

person so served to be the person mentioned and described in said papers as the personally. Deponent knew the
Sworn to before me, this day of 19 therein.

in the possession of Diner's Club. I did this not because I think these records are relevant to the within motion but merely to eliminate the only objection which Defendant has raised.

4. Deponent believes that all of the books and records in existence at the time of the sale in February 1963 are still in existence and available for inspection. Deponent bases his belief upon conversations had with Milton Adler the former treasurer of Fugazy Travel Bureau who is presently the controller of Fugazy Continental and Vice President of a Diners/Fugazy franchise at 342 Madison Avenue. He has assured me that all of Plaintiff's records were delivered to Diner's Club at the time of the purchase, but since he is not an officer of Diner's Club he is not in a position to tell me their present whereabouts or disposition. I have also spoken with George Liebowitz, the Vice President of Diner's Club, who has informed me that all of the records delivered to Diner's Club are still in existence and none have been destroyed. However, he was certain that none of the records were destroyed by Diner's Club. I have also spoken to John Summerlin, one of the principals associated with the Plaintiff, and he has told me that those records which were not transferred were delivered to Diner's Club at the time of the transfer are still in his possession or under his control and would be available for inspection.

5. While all of the foregoing demonstrates the transparency of Defendant's claim that discovery is now "impossible" (King Affidavit, page 5, paragraph 13), that Defendant "will not now have access to that information because of the sale to Diners Club" (King Affidavit, page 5, paragraph 14), that the materials were placed in the hands of a third party who is "likely to discard them" (King Affidavit, page 5, paragraph 15) and that the Defendant has been prejudiced by the transfer of the books and records.

herein, by delivering a true copy thereof to personally. Deponent knew the person so served to be the person mentioned and described in said papers as the therein.

Sworn to before me, this day of 19

6. As was previously noted, the value of the stock on the date of transfer has always been acknowledged by Defendant to be relevant to determining the damages. Therefore the examination of the records which Defendant now seeks has not been occasioned by Plaintiff's motion to increase the ad damnum clause at all.

7. Plaintiff has attempted, albeit unsuccessfully, to have all of the books now in the possession of Diner's Club available for their perusal and inspection. We have been unable to succeed, I am told by my clients, because the major principals of Plaintiff herein have a 1.5 million dollar law suit pending against Diner's Club. This suit was started July 16, 1970 subsequent to the date this motion was made.

8. It should be kept in mind that Plaintiff is not seeking to change the theory of damages, but merely to change the numbers consistent with the theory which the parties have always agreed in applicable to the case subjudice.

9. Lastly, contrary to Mr. King's assertion (King Affidavit, page 3, paragraph 8) the basis for changing the ad damnum clause is not because of the existence "of new facts" but rather because of the recent decision of the Appellate Division, Third Department, which clearly requires a motion to be made prior to verdict in conformity with the CPLR. It is in conformity with this decision that the within motion has been made.

Sworn to before me this
16 day of September, 1970.

William D. Gallagher

Notary Public
WILLIAM D. GALLAGHER
Notary Public, State of New York
No. 60 6445675
Qualified in Westchester County
Cert. Filed in New York County
Commission Expires March 30, 1970

...herein, by delivering a true copy thereof to ... personally. Deponent knew the person so served to be the person mentioned and described in said papers as the ... therein.
Sworn to before me, this ... day of ... 19 ...

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36th ANNUAL REPORT OF THE S.E.C.

36th Annual Report

SECURITIES AND EXCHANGE COMMISSION

SECURITIES
AND EXCHANGE
COMMISSION

1970

36th Annual Report

SECURITIES AND EXCHANGE COMMISSION

SECURITIES
AND EXCHANGE
COMMISSION

1970

For the Fiscal Year Ended June 30th

SECURITIES AND EXCHANGE COMMISSION

Headquarters Office
500 North Capitol Street
Washington, D.C. 20549

COMMISSIONERS

HAMER H. BUDGE, *Chairman**
HUGH F. OWENS
RICHARD B. SMITH
JAMES J. NEEDHAM
A. SYDNEY HERLONG, JR.

ORVAL L. DUBOIS, *Secretary*

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*Chairman Budge announced his resignation, effective at the end of the 91st Congress, on November 13, 1970.

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LETTER OF TRANSMITTAL

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.

SIRS: On behalf of the Securities and Exchange Commission, I have the honor to transmit to you the Thirty-Sixth Annual Report of the Commission covering the fiscal year July 1, 1969 to June 30, 1970, in accordance with the provisions of Section 23(b) of the Securities Exchange Act of 1934, as amended; Section 23 of the Public Utility Holding Company Act of 1935; Section 46(a) of the Investment Company Act of 1940; Section 216 of the Investment Advisers Act of 1940; Section 3 of the Act of June 29, 1949, amending the Bretton Woods Agreement Act; Section 11(b) of the Inter-American Development Bank Act; and Section 11(b) of the Asian Development Bank Act.

Respectfully,

HUGH F. OWENS.
Commissioner.

THE PRESIDENT OF THE SENATE,
THE SPEAKER OF THE HOUSE OF REPRESENTATIVES,
Washington, D.C.

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34th Annual Report. Generally speaking, if it appears that a statement fails to conform, in material respects, with the applicable requirements, the issuing company is notified by a letter of comment and is afforded an opportunity to file correcting or clarifying amendments. The Commission also has the power, after notice and opportunity for hearing, to issue a "stop-order" suspending the effectiveness of a registration statement if it finds that material representations are misleading, inaccurate or incomplete. In certain instances, such as where the deficiencies in a registration statement appear to stem from careless disregard of applicable requirements or from a deliberate attempt to conceal or mislead, a letter of comment is not sent and the Commission either conducts an investigation to determine whether "stop-order" proceedings should be instituted or immediately institutes such proceedings. The exercise of the "stop-order" power during fiscal year 1970 is discussed on pages 34–36.

Time Required To Complete Registration

The Commission's staff endeavors to complete its examination of registration statements in as short a time as possible. The Act provides that a registration statement shall become effective on the 20th day after it is filed (or on the 20th day after the filing of any amendment thereto). Since most registration statements require one or more amendments, they usually do not become effective until some time after the original 20-day period. The period between filing and effective date is intended to afford investors an opportunity to become familiar with the proposed offering through the dissemination of the preliminary form of prospectus. The Commission can accelerate the effective date so as to shorten the 20-day waiting period, taking into account, among other things, the adequacy of the information respecting the issuer theretofore available to the public and the facility with which the facts about the offering can be understood.

During the fiscal year, 3,393 registration statements became effective. Of these, 272 were amendments filed by investment companies pursuant to Section 24(e) of the Investment Company Act of 1940, which provides for the registration of additional securities through amendment to an effective registration statement rather than the filing of a new registration statement. With respect to the remaining 3,121 statements, as a result of the continuing high number of filings and the resulting backlog the median time from the date of original

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filing to effective date rose to 70 calendar days, from 65 days for 3,316 registration statements in fiscal year 1969 and 44 days for 2,131 registration statements in fiscal year 1968.

The following table shows by months during the 1970 fiscal year the number of registration statements which became effective, and the number of calendar days elapsed during the registration process for the median registration statement.

Time in Registration Under the Securities Act of 1933 by Months During the Fiscal Year Ended June 30, 1970

Months	Number of registration statements effective *	NUMBER OF CALENDAR DAYS Total number of days in registration	Months	Number of registration statements effective *	Total number of days in registration
1969			1970—Continued		
July	273	63	February	176	83
August	228	65	March	230	76
September	280	83	April	305	39
October	342	95	May	227	36
November	261	76	June	250	40
December	313	70			
1970			Fiscal 1970 for median effective registration statement	3,121	70
January	221	110			

* This figure excludes 272 amendments filed by investment companies pursuant to Section 24(e) of the Investment Company Act of 1940.

Statistics Regarding Registration Statements Filed

During the 1970 fiscal year, 4,314 registration statements were filed for offerings of securities aggregating $66.9 billion, as compared with 4,706 registration statements filed during the 1969 fiscal year for offerings amounting to $86.8 billion. This represents a decrease of 8.3 percent in the number of statements filed and 23.0 percent in the dollar amount involved.

Of the 4,314 registration statements filed in the 1970 fiscal year, 2,071, or 48 percent, were filed by companies that had not previously filed registration statements under the Securities Act of 1933. Comparable figures for the 1969 and 1968 fiscal years were 2,350, or 50 percent, and 893, or 34 percent, respectively.

A cumulative total of 40,881 registration statements has been filed under the Act by 17,819 different issuers covering proposed offerings of securities aggregating over $552.8 billion from the effective date of the Securities Act of 1933 to June 30, 1970.

Particulars regarding the disposition of all registration statements filed under the Act to June 30, 1970, are summarized in the following table:

Number and Disposition of Registration Statements Filed

	Prior to July 1, 1969	July 1, 1969 to June 30, 1970	Total June 30, 1970
Registration statements:			
Filed	36,567	(a) 4,314	40,881
Disposition:			
Effective (net)	31,171	(b) 3,329	(c) 34,480
Under stop or refusal order	226	9	(d) 235
Withdrawn	3,470	650	4,120
Pending at June 30, 1969	1,697		
Pending at June 30, 1970			2,046
Total	36,567		40,881
Aggregate dollar amount:			
As filed (in billions)	$485.9	$66.9	$552.8
As effective (in billions)	472.1	59.1	531.2

(a) Excludes 276 registration statements covering proposed offerings totalling $6,705,130,240 filed by investment companies under Section 24 of the Investment Company Act of 1940 which permits registration by amendment to a previously effective registration statement.

(b) Excludes 64 registration statements that became effective during the year but were subsequently withdrawn; these 64 statements are included in the 650 statements withdrawn during the year.

(c) Excludes 20 registration statements effective prior to July 1, 1969 which were withdrawn during the year; these 20 statements are reflected under withdrawn.

(d) Excludes two registration statements which became effective after lifting of stop orders which had been issued during the year and one registration statement previously effective on which a stop order was placed and then lifted. These three statements are reflected in effectives.

The reasons given by registrants for requesting withdrawal of the 650 registration statements that were withdrawn during the 1970 fiscal year are shown in the following table:

Reason for registrant's withdrawal request	Number of statements withdrawn	Percent of total withdrawn
1. Withdrew if requested after receipt of the staff's comments	56	8.6
2. Change in financing plans	276	42.5
3. Change in market conditions	258	39.7
4. Registrant was unable to negotiate acceptable agreement with underwriter	27	4.2
5. Will file on proper form	3	.4
6. Will file new registration statement	26	4.4
7. Exemptions available	2	.3
Total	650	100.0

Statistics Regarding Securities Registered

During the fiscal year 1970, a total of 3,389 registrations of securities in the amount of $59.1 billion became effective under the Securities Act.[10] While the number of statements showed a moderate decline from the previous year, the dollar amount of registrations was down 32 percent from the record 1969 fiscal year. The chart on page 32 shows the number and dollar amounts of fully effective registrations from 1935 to 1970.

The above figures cover all effective registrations including secondary distributions, securities registered for other than cash sale, and issues reserved for conversion or for options. Of the dollar amount of securities registered in 1970, 82 percent was for the account of the issuer for cash sale, 12 percent for the account of the issuer for other than cash sale, and 6 percent for the amount of others.

The following table compares the volume of securities registered for the account of the issuer and for the account of others for the past three fiscal years.

	(*Millions of dollars*)		
	1970	1969	1968
For account of issuer for cash sale	48,106	52,030	37,269
For account of issuer, other than cash sale	7,355	29,577	13,530
For account of other than issuer	3,653	4,841	3,137
Total	• 59,116	• 86,450	53,936

• This figure excludes lease obligations relating to industrial bonds of $21 million which were registered during the 1970 fiscal year.

• This figure excludes lease obligations relating to industrial bonds of $334 million which were registered during the 1969 fiscal year.

[10] For a reconciliation of the figures as to effective registration statements referred to above and on pp. 28 and 30, see appendix table 2.

must discuss it only in the jury room when all members of the jury are present. You are to keep an open mind, and you must not decide any issue in this case until the case is submitted to you for your deliberation following my charge.

We will take a one-hour luncheon recess and resume at 1:35 p.m. We will take a mid-afternoon break and sit until 4:30.

I anticipate resuming tomorrow at 9:30, proceeding to 12:30, taking a luncheon break till 1:30, and resuming until 4:30. The same schedule will prevail on Thursday, and on Friday we will be in recess, resuming again on Monday.

The jury is now excused, and is directed to return at 1:35 p.m. to hear the opening statements of counsel. You can anticipate leaving this afternoon at approximately 4:30.

(The jury left the courtroom)

THE COURT: Counsel and their clients and witnesses are excused at this time. I would ask after each recess that you remain in the courtroom for approximately five minutes to enable the jurors to go through their jury room and into the elevators.

MR. FREDERICKS: Your Honor, on another matter that will come up during the course of the trial, with the

consent of the defendants we will be introducing some documents that are not on the pre-trial order, primarily some Government statistics. Counsel only withdraws its objection to the extent that they are not in the pre-trial order, reserving all of his other objections. I will, during the course, ask your Honor to take judicial notice of this document and the statistics contained therein. I therefore would give it to the Court at this time so your Honor might have an opportunity, and specifically I am concerned with the pages that are marked.

MR. SANTORA: I would like to get a copy of whatever that is. We have a couple of pages that they want to introduce, but I think it is fair that we see the entire thing. Apparently he got this from the SEC. I would like to see the whole thing.

MR. FREDERICKS: We have given you the pages we have introduced, and I am sure when the Court has finished reading it during the course of this lengthy trial it will be no problem for you to look it over, or I have no objection to giving it to you first and then giving it to the Court.

THE COURT: What pages are you referring to?

MR. FREDERICKS: These pages that I have marked, page 29 -- I am basically concerned with the Government's

report on the time period between filing and effective date of registration statements.

MR. SANTORA: In light of what we have been giving you in the last few days, I think it's appropriate we get a copy of this.

MR. FREDERICKS: This is the only copy I have.

THE COURT: Very well. Anything else?

MR. FREDERICKS: No, I just thought I would bring it to the Court's attention at this time.

(Luncheon recess)

(In open court, jury present)

THE COURT: We will proceed now to the opening statements of counsel. We will hear first from Mr. Fredericks on behalf of the plaintiffs, and then from Mr. Santora on behalf of the defendants.

MR. FREDERICKS: May I proceed, your Honor?

THE COURT: You may.

MR. FREDERICKS: Thank you.

Good afternoon, ladies and gentlemen of the jury.

As I introduced myself earlier, my name if Barry Fredericks. I am the attorney for the plaintiffs. My co-counsel is Mr. James Tolan sitting at the table. Plaintiffs in this action are Otto Marx and Co., a small, privately held corporation, and Otto Marx, Jr., who was introduced

to you earlier during the voir dire, his stepson, John Summerlin, Jr., and William Fugazy and his brother, Louis Fugazy.

The defendants in this case are Diners' Club, Inc., Continental Corporation, Continental Insurance, and several affiliated corporations who are under the Continental-Diners' Club umbrella.

The individuals in this action have come here to seek redress for certain wrongs which they claim the defendants have done to them. As all of us have heard, we may be here for several days, possibly two weeks. I don't want you at this time to be overwhelmed by that prospect, nor do I want you to be overwhelmed with the amount of documents that you see on the counsel tables and the number of attorneys in this matter. This is not, notwithstanding the length of time that it may take or the number of documents that you see or the number of lawyers in this courtroom, this is not really a very complicated case. We can get down to the essence of this case rather simply, and I say that without any attempt to minimize the fact that the plaintiffs, Otto Marx, John Summerlin, William Fugazy, and Louis Fugazy are asking you, after you hear all the evidence in this case, to award them $2,700,000.

Again, like the sum of damages, please do not

be taken aback and assume that this is going to be a very difficult problem. It is going to be a very simple case, and I am going to tell you what this case is about. It's sort of like coming attractions. I am going to tell you what you are going to hear from these witnesses.

If you will remember this morning, the Judge advised you that what I tell you is not evidence. Keep that in mind. I will tell you what the plaintiffs will prove, but I suggest to you that what I tell you is not evidence. What you hear from the witnesses on the witness stand, from the individuals who have been damaged in this case, what you hear from the mouths of Mr. Fugazy, William Fugazy and Louis Fugazy, and Otto Marx and John Summerlin, that is evidence, and whatever documents we have shown you, that is evidence.

What I am giving you is a presentation of what you are about to hear. This, as I said to you, is a very simple case. The plaintiffs are charging the defendants the Diners' Club Corporation, Continental Insurance, and Continental Corporation and their affiliated companies with fraud and misrepresentation. Those are very nice legal terms, but what do they mean in simple, one-syllable English?

They mean, ladies and gentlemen, that the

defendants, through their officers and directors, through the people who represented the Diners' Club and Continental Insurance, made certain statements and representations to Mr. Marx and Mr. Fugazy knowing when they made those statements that they were false, and the statements were made for the purposes of having Mr. Fugazy and Mr. Marx part with valuable property. That is a very simple proposition, and the facts that we will put on that skeleton are equally simple.

The Fugazy Travel Bureau was established in 1870 by the Fugazy family. It was owned and operated in the travel business by the Fugazy family from one generation to the other. In 1960 it was acquired by a publicly held company, the Tower Company, and then subsequently it was sold to Mr. Otto Marx through Marx and Co., a private company, and Mr. Marx, the individual, through his company, and Mr. William Fugazy and Mr. Louis Fugazy were operating this company as Mr. Louis Fugazy and Mr. William Fugazy had done for many years prior, and as the Fugazy family had done as far back as 1870.

In 1963, a gentleman named Liftig, a broker, a friend of Mr. Alfred Bloomingdale, president, chairman of the board and chief operating officer of Diners' Club comes to see Mr. Fugazy, and says, "We'd like to reopen

negotiations to acquire your company." I say reopen because there had been discussions in 1960 and prior to 1963 about this acquisition, none of which came to fruition. Liftig says, "I want to buy your company for Bloomingdale. Diners' Club wants your travel business."

And Mr. Marx and Mr. Fugazy say, "We are not sure we want to sell the company. We have got underwriters who want to take us public." By that I mean sell the stock to the public on the open market. "We are doing very well, things are moving, we have got advertising. We are not sure we want to sell our company."

This is in 1967. I apologize.

THE COURT: I think you said 1963.

MR. FREDERICKS: Yes, I did, your Honor. 1963 was when Marx acquired his interest in Fugazy.

It is 1967 -- pardon me -- that Mr. Liftig arrived on the scene and said, "Mr. Bloomingdale has sent me to buy your company." Marx and Fugazy are not particularly overwhelmed, but Marx is a businessman, and he will listen to anybody talk. Why not? Talk, listening to people, is not particularly commiting himself to anything.

And Liftig tells him that there has been a substantial change in the Diners' Club situation since last the Fugazy Travel people spoke with Diners' Club. And what

is that change? That change is that Continental Insurance, Continental Corp. has acquired substantial holdings in Diners' Club. They have become a major stockholder. In fact, between Mr. Bloomingdale and Continental, they are clearly the most controlling factor in Diners' Club, and they have come into the picture, and they are engaged in a finance program to pump millions of dollars into Diners' Club, and they are buying up convertible debentures.

What is a convertible debenture? A convertible debenture is simply a situation where the Continental people had some papers, a certificate which allowed them to convert what they had into the common shares of Diners' Club, to acquire more interest in Diners' Club. And Mr. Marx and Mr. Fugazy say, "Well, you know, we were happy the way they are," and Liftig says, "Well, Continental is in this picture. There is all sorts of money, and Bloomingdale wants to acquire you."

Fugazy goes out to listen to what Bloomingdale has to say in July of 1967. He arranges a trip out to California by plane to fly out to meet with this broker, Liftig, and Mr. Bloomingdale, with Mr. Bloomingdale of Diners' Club arranging to meet him at the airport.

Mr. Fugazy gets on the plane, and lo and behold, who sits next to him but a gentleman who introduces himself

as an executive of Diners' Club who just happened to be sitting next to Mr. Fugazy, and he proceeds to continue this conversation on how important it is to the Fugazy operation to be acquired by Diners' Club, how much money Continental is going to pour into this operation, what their stock position is, and how many great things Diners' Club is going to do with all of this Continental money.

Fugazy meets in Los Angeles with Mr. Bloomingdale, and Bloomingdale tells him, "We need your travel business. We want to complete with American Express. They are beating us with the airlines, they are beating us with the hotels. The Continental people want us to go out and buy a travel company, and you are it, and we want your company in this operation. We want you and your brother, we want the whole package. We are going to be expanding all over the place. We are going to be buying, with all of this Continental money, and Continental is going to take over Diners' Club and they are going to own it, and we have got millions and millions of dollars in resources."

And Fugazy says, "Well, that's very nice, but you know, we are doing very nicely. Why do we need you? We are not so sure about this situation."

Bloomingdale says, "Don't worry, the deal is over. We are going to take you over, whatever the price

is." And Mr. Fugazy comes back, and he tells his partner, Otto Marx, what the situation is, and the next thing we know Bloomingdale comes flying into New York, meets with Fugazy, tells him the deal is all completed, "Don't worry about it, the lawyers will work out the details, the price." He says, "We are going to give you ten million dollars, and, you know, don't bother me with all of this nonsense. Let the lawyers work out the details. You are going to work for me and you are going to run my travel business, and let's get things moving along, and I want you to introduce me to all the airline people, and I want you to introduce me to the hotel people and the travel people."

And Fugazy says, "Well, you know that's fine, but my partner, Otto Marx, he wants to know about the financing, you know, what's happening." Bloomingdale says, "Don't worry about it. Continental is in it. They are pouring in millions of dollars, and by the way, after you introduce me to the airline people, I want you to go over to London and buy the Queen Mary, and we are going to expand into this company, that company, all with Continental's money, and they are right behind us a million percent, and we want you and we want your stock and everything."

And from the 16th to the 20th Bloomingdale is

running them from one end to the other. Anytime they raise a question he says, "Don't worry about it, Continental's coming into the picture." And on the 20th, they sign a letter of intent for Continental to acquire Fugazy.

What is a letter of intent? That is two parties sitting down and saying, "One of these days we are going to sit down to agree to agree. We are going to make this deal subject to your being satisfied and our being satisfied, and sometime in the future we are going to get this deal together."

And once that letter of intent is signed, Bloomingdale sends Fugazy to London, he sends him to Athens, he sends him to Paris, he sends him all over the world on Diners' Club business. He negotiates the Queen Mary acquisition for Diners' Club, goes to meet and lecture to people for Diners' Club, and every time Fugazy says, "Well, wait a minute, how do I know, you know, you are running me all over the place here, and we haven't got a deal," "Don't worry about it. Continental is taking over. You are going to be satisfied. Don't worry about it. We will take care of everything."

And this goes on, for July, August and September, and Fugazy is running all over the place and introducing him to all these people back and forth.

In October, as an icing on the cake, Bloomingdale races Fugazy down and says, "I want you to meet Victor Herd and Harold Johnson, because I spoke to them, and they told there's a deal, and you don't believe me, and I'm going to take you down and meet them."

They go down and meet Victor Herd and Mr. Johnson, and they tell him about all the things Fugazy is doing for the Diners' Club, the Queen Mary and so forth, and he says, "I'm glad to meet you, but I have a partner here who is a little skeptical, and he wants to know about this Continental situation."

Herd says, "There's going to be a marriage here. Don't worry about it. We're going to have a marriage. It will take place. Everybody will be secure."

After this meeting, Fugazy comes back and sees his partner, Marx, and says, "Look: Bloomingdale told me there will be an acquisition, and now the president of Continental has told us the same thing," and so they signed the acquisition agreement. And they make a deal where they sell the family business, this company that was established in 1870, the Diners' Club, 57,000 shares of stock and some

assumption of liabilities by Diners' Club and an employment contract which provides that Mr. Louis Fugazy and Mr. William Fugazy and Mr. Otto Marx would be employed by Diners' Club, and in addition to whatever salary they would receive, they would receive an incentive pay-out.

Now, Marx and Fugazy had developed a franchise. They were franchising their travel operations, and Diners' was interested in acquiring both the travel business and this franchise operation, so as an incentive to the sellers they said, "Look: We will pay you $500,000 a year if we sell a minimum number of franchises. That's your maximum."

They had a percentage of the franchises sold, but the maximum was $500,000 a year, and this was in cash, because up until now they had sold their business for stock and somebody else's liabilities. There was there the sellers' ability to realize cash over the pay-out period. They got an incentive that went into their pocket.

Comes January and February, Mr. Fugazy is still doing his work for Diners' Club. He meets in fact socially with Mr. Herd and Mr. Johnson on two occasions, and he starts doing some work even for Continental Insurance, arranging meetings with people that he knows for Continental, and he makes an acquisition, and he even flies to Paris for

Mr. Bloomingdale, and Mr. Marx goes along. They are introduced to some banking contacts that Mr. Marx has, and in Paris, Bloomingdale, the head of Diners' Club, says to Fugazy, "Look: Do you want to be president of this whole operation?" Bill Fugazy says, "There's no way I want to be president of this operation. I've got problems. As it is you're flying me all over the world. I've got to earn my cash by seeing to it that the franchise operation gets off the ground, because unless that franchise operation moves forward I don't get my incentive program, and I don't earn my cash. I don't want the presidency of the company."

Bloomingdale continues over a period of time to pressure him and also says to him, "Look: You know the money we have to pay you, you and your brother and Otto Marx, this $500,000 a year, is very bad for our balance sheet. We've got to show this money being paid out very year. It's bringing our earnings down. That means that when we merge with Continental the ratios aren't going to be the same. The profit picture isn't going to be the same. Why don't you give up your cash and take stock in Diner's Club? We will give you more Diners' paper. Diner's paper is going to be worth a lot of money, because the Continental takeover is coming."

Fugazy says, "Look: I like cash. Green is green.

It's in my pocket. And I don't want to be president of your company."

In March, Mr. Fugazy arrives at his office at Diners'/Fugazy Travel. What is Diners'/Fugazy Travel? When Diners' bought the Fugazy Travel business, they set it up as a separate subsidiary, which Mr.Fugazy became president of and was to run. And so he ran it when Mr. Bloomingdale allowed him to be in his office and wasn't flying him around on special projects. This was Mr. Fugazy's operation.

He walks into his office, and whom does he find waiting there on March the 12th but Victor Herd, president of Continental. Victor Herd says, "Bill, Alfred Bloomingdale says to me you don't want to be president of Diners' Club. Why not? We of Continental are behind you."

Herd was on the Board of Diner's Club.

"We want you to be president."

Fugazy says, "Look. I've got a family. I've got a wife. I've got to concern myself. I'm not a rich man. This $500,000 earn-out is my money, and I'm not going to go over and be president of this company and not tend to the store, so I can see my earn-outs."

What does Herd say? "What are you worried about? Continental is going to take over this operation. Continental is behind you. You to along with whatever the program is,

follow along with what management wants, and you don't have anything to worry about. We are going to see that you are taken care of."

The next thing that we know, Fugazy, you know, is still not moved. He is still not pushed over the brink. He's still looking for the green cash.

The next thing, Bloomingdale summons him to Los Angeles. Fugazy being the good employee that he is, without a share to his name, hops to Los Angeles, and we start all over again.

Bloomingdale says, "You've got to be president of this company." Fugazy says, "I don't want to be president. I've got to worry about my cash."

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.m. Bloomingdale says, "What are you worried about? You heard from Herd about Continental. I tell you there's going to be a takeover by Continental. Forget your cash. You'll have your stock in the company. It's going to be 10 over the $65 a share. You'll make it on the stock, and we'll take care of it."

That's all again very nice, but still Fugazy says, "You know, I've got a partner, Otto Marx, and you can tell me all these things, but Mr. Marx, unless he is satisfied, he's not giving up his cash, and I'm not giving up my cash unless we are satisfied."

Well, in April Fugazy succumbs to the continuous pressure and becomes president of Diners' Club, and in May he meets with Bloomingdale and Herd to discuss the overall programs, and one of the things that comes up is, well, you know, we've heard about this Continental takeover since last June. This is now May of 1968. What's happened?

Well, he gets a story about holding companies and another story other tax problems, and Herd says, "Look, we are going to meet very shortly, and we are going to set a timetable on this Continental merger."

Fugazy goes back to Mark, and he says, "Hey, Otto, it looks like things are happening. They're finally going to sit down and give us a timetable. This merger that they told us was going to happen is going to happen. Herd says we are going to sit down and get us a timetable."

June 8, 1969, a very important date to remember, as you will hear from the testimony, Bloomingdale, Fugazy and Herd meet in the Fairmont Hotel in San Francisco to lay out, among other things, the timetable for the Continental-Diner's Club merger. I tell you it is important, because it among other things will establish the credibility of witnesses. Mr. Fugazy will testify that he attended the meeting. Some of the things that were discussed were timetable and also a statement by Mr. Herd that he was going

to elect Mr. Johnson as executive vice-president and Mr. Asch as executive vice-president of the Diners' Club and the whole operation was to get together and work out exchange ratios.

Well, what's an exchange ratio? It's a sheet of paper that shows for so many shares of Diners' Club at such a price I get so many shares of Continental at such a price, and these among the accountants and the corporate lawyers really get down to a lot of pieces of paper and schedules, but it really gets down basically to what the price was going to be, and the price talked about at that time was 60 or 65 dollars a share, and that's what Fugazy will tell you. You will see a document to verify his notes at that meeting.

Alfred Bloomingdale, chief executive officer and president of Diners' Club, in his testimony will tell you that he was at that meeting, but what is Victor Herd going to tell you? Victor Herd is the chairman of Continental. He is going to tell you categorically that he never went to a meeting in the Fairmont Hotel in San Francisco with Mr. Bloomingdale and Mr. Fugazy. Not only that, but he is going to tell you that he never met Bill Fugazy until after Bill Fugazy became president of Diners' Club, in April of 1968. That's what he's going to tell you.

I am going to show you some diaries of Victor Herd to indicate in fact from his own diary that he was at that meeting in San Francisco in June of 1968.

A full timetable was set. akeover was supposed to take place in the fall of 1968 and Asch and Pflug and the financial people of Diners' Club meet with the financial people of Continental, and they work up these exchange ratios.

Now, there's Otto Marx sitting back there, being pressured by Asch and Johnson and Bloomingdale to give up his cash, being told by Bill Fugazy that he's met with Bloomingdale, and there's going to be a takeover; he's met with Herd in San Francisco, and he says there's going to be a takeover and a schedule prepared, and the thing is going to happen, and the next thing Marx knows and Fugazy knows the ratios are being prepared. They are there, physical ratios. No representations from one party to another. There they are in black and white, ratios of stock exchanges between Diners' Club and Continental, and Fugazy gets them and shows them to Marx and Asch discusses them with Marx, and Bloomingdale is pressuring them, "Give up the cash. We're going to have a merger in 60 days. Your're going to be wealthy people."

Finally, having been told by Bloomingdale,

having been told by Herd, having seen the exchange ratios, in October, Marx and Fugazy agree to give up their cash for the stock of Diners' Club, and they get additional cash--

THE COURT: Stock.

MR. FREDERICKS: I am sorry. They get additional stock for the cash they gave up.

Well, maybe they were always a bride's maid and never a bride, but the merger never happened in 1968. It never happened in 1969, and in February 1970 Continental took over Diners' Club, but not, ladies and gentlemen, at the 60 to 65 dollars a share that Bloomingdale was talking about. Not in the fall of 1968, when the price of the stock was up in the 50's, as Mr. Herd was talking about, but at 15 dollars a share. And there were Mr. Marx and Mr. Fugazy with all their Diners' Club paper, without the company that they had, without the employment contract which gave them hard cash and with Diners' Club shares at $15 a share, which they had to hand over to Continental.

Now, what did they do between November 1968, when a Continental closing didn't take place, and February when it went down to $15 a share? You're right to ask that question. What did these people do? Well, besides being told a dozen stories as to what the delays were, Mr. Fugazy went down, and they said, "We were very happy with our

investment. We were offered $60 a share, and we turned it down."

Marx said, "Here you are. Here are my shares. Take them."

Herd says, "No." Why should he? He had him locked in the company. Marx couldn't go anywhere, except, ladies and gentlemen, Mr. Marx in 1969 said to the company, "Look: I've got a contract, and in that contract it says that if you fail to register my shares I have a right to demand that you register them."

What is registration? That's a procedure where you file certain documents with the Securities & Exchange Commission, and what were known before as restricted shares can be sold in the open market to the public at large.

Marx writes him a letter and says, "Okay. Under this contract, register my shares."

April 1969 -- I believe it's April 19th. What do the Diners' Club people do? Well, the first thing they do is, Johnson sends a memo to Herd and says, "Marx is pressuring us. We don't have to do anything." That, ladies and gentlemen, not withstanding the contract, which you will see, which says that they must expeditiously, promptly and in good faith move to register those shares.

April, Marx's letter on behalf of himself, Fugazy, Marx & Co.: -- Register my shares."

Johnson responds to Herd, "We don't have to do anything about that." They never promptly filed the registration statement.

In August of 1968 they filed the statement with the Securities & Exchange Commission, notwithstanding the fact that their financial statements were completed in March and that they had an annual report to stockholders in June. It took them until August to finally get around to comply with their obligations to expeditiously and promptly file a registration

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statement.

THE COURT: Mr. Fredericks, you said August 1968.

MR. FREDERICKS: '69, your Honor.

THE COURT: In following it, I thought it must be 1969.

MR. FREDERICKS: 1969. I am very sorry, your Honor. As I said, what I say is not the evidence, and if I make some mistake in the date, I apologize. I am trying to keep it in sequence. The evidence will come from the documents and the witnesses.

No registration is filed until August. It never becomes effective, and the price of the Diners' Club shares are coming down like a lead balloon, so that at every turn where these plaintiffs, having realized that they have been had, attempted to mitigate their losses, they were again frustrated by this group of Continental and Diners' Club.

That drop in stock alone comes to approximately $500,000 between the period of the demand and the ultimate tender offer, in February the following year.

Now, that, as I promised you, adds up to a very simple case for the plaintiffs. It is very, very simple. They were told things. They were re-told them. They were shown things, and all of it was a lot of puffing and baloney. It just wasn't true. It was an absolute attempt to get them

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to give up the travel business in the first instance and the at the later instance for the Diners' Club paper, which as I have shown you, they took a substantial loss on. The total in this case of loss to these plaintiffs is in excess of $2,700,000.

Now, here are the defendants with their hands caught in the cookie jar. I mean, here's the plaintiff in here claiming this is it, this is what you have done to me. And what do the defendants do? Well, the defendants did exactly what my daughter does when I catch her with her hands in the cookie jar. First she tries to convince me that her sister's hands are in the jar, and then she tells me that it's her mother's fault for leaving the jar open. In law they call it a counterclaim.

And that's what the defendants have done here. They have counterclaimed, and they have counterclaimed with one of the most complicated counterclaims, which you are going to hear.

The reason for all the documents, the lawyers et cetera: what is their counterclaim? Well, first they say, "What you sold us, what you told us wasn't true. The financials weren't the way you represented them."

This matter was closed in October, October 30, 1967. The closing was crawling with accountants, Touche, Ross, one

of the big accounting firms, representing Diners' Club; J. K. Lasser was in here representing and certifying financials for the plaintiffs, and as if that wasn't enough, in case the two of them couldn't agree, we had Price, Waterhouse waiting with the envelope to decide who was right.

We had a closing in October. We had an agreement that said a substantial portion of these shares go into escrow. That is that, escrow? That means you have it, but you don't really have it, and we're going to take it away from you if we don't like what you are going to do with it. It went into escrow, and there were adjustments and post-adjustments, and Touche, Ross met with Lasser, and there were adjustments in price, and some stock was released at one time and other stock released at another time, and the price went up and down, and that took place in 1968.

This counterclaim, ladies and gentleman, was not alleged until 1973, when Mr. Marx and Mr. Fugazy brought this action. It wasn't even initially aleged then. We will tell you about that in a minute.

They had the company. They took the books and records. They had everything, and they ran the company. They ran the company for several years, and, suddenly, in 1973, the say, "Hey, what you told us back in '67 wasn't true." That's one claim.

The second claim they have is that this whole concept of franchises wasn't viable. I don't know what that means, ladies and gentleman. If you have a man who runs an operation with the experience of Bill Fugazy, overseen with the financial experience of Mr. Marx, and you acquire him and his company, and then you take him from that company and you put him somewhere else, doing other things, so that he isn't minding the store, and you run it for two and a half years, it's like the day my kid takes his sister's bike and runs it into the pole and comes back and says to me, "The wheel is broken." Sure, the wheel is broken. Mr. Fugazy was the man who ran the franchise operation. Mr. Fugazy was the man with the travel experience, and suddenly, Si Pflug -- I don't know what experience he has had besides buying airline tickets -- is supposed to run this travel operation, does it for two and a half years, and then in 1973 says, "Hey, it wasn't viable", whatever that means.

Now, I suggest to you that you are going to hear a lot of complicated claims from Mr. Santora on what happened and what didn't happen. Keep in mind that Mr. Fugazy remained president of that company until he resigned, in 1970, to take over some other operations.

Now, the claim wasn't raised then. Nobody complained at that time. There was a financial adjustment after the

closing, with Touche, Ross on one side, Lasser and the other accounting firms, Price, Waterhouse waiting in the wings. Adjustments were made. Nobody complained at that time. The stock that was held in escrow was released, and nobody complained at that time. The franchise operation was run by Diners' and Mr. Pflug for over two and a half years. Nobody complained at that time.

It is only on the second answer to the second complaint in this action, in 1973, that these defendants, with their hands up to their elbows in the cookie jar, bring this counterclaim.

I suggest that that counterclaim is worthy of your consideration only under the circumstances as I have outlined, and, quite frankly, I think you will find that it is a tempest in a teapot and an attempt to confuse you, an attempt to get you away from the very simple facts of the plaintiffs' case.

I thank you all for your time and attention. I thank you for being attentive to me, and I look forward to presenting our evidence to you.

Thank you.

THE COURT: Thank you, Mr. Fredericks.

Mr. Santora.

MR. SANTORA: Ladies and gentleman of the jury, I

think after listening to Mr. Fredericks you might call this case the case of the reluctant dragon. That's Mr. Fugazy, the reluctant dragon. We had a period in 1967 when Mr. Fugazy was always doing something he didn't want to do. He became president of a company he didn't want to be president of. He got involved in a deal he didn't want. He flew here and he flew there and did this and that, and we might want to ask ourselves -- and we will be coming to some of the reasons why he did it -- you might be asking yourselves, "All right. Why did he do these things he didn't want to do?"

We have Mr. Marx, who is a professional victim in this case. Things are being done to Mr. Marx right and left. Now, Mr. Marx, although he has been portrayed as an individual, is not exactly your ordinary individual. He is not an individual such as you might run into in day-to-day living, where you can say, "Here you've got a company and there you've got an individual: Mr. Marx."

Well, Mr. Marx happens to be an investment banker. We will go into later on what an investment banker is, but an investment banker who is worth a lot of money and who is engaged in transactions involving very big numbers and with big acquisitions and mergers and things like that, and Mr. Marx will be undoubtedly asked to explain at some time about all these things that were happening to him one after the other,

and no explanation, nothing he did about it. It just kept happening, one after the other.

You will see the reason for it as I get into it further, but I want to correct something which is, I am sure, absolutely inadvertent by Mr. Fredericks, but there has been a serious misstatement about the counterclaim here, the counterclaim brought by the defendants.

The counterclaim was not asserted in this case in 1973. It was asserted in February 1971, and I think one of the reasons for the confusion -- because I know it was inadvertent -- is that these two plaintiffs here, the chief plaintiffs, Mr. Marx and Mr. Fugazy, chose not to sue at the same time.

Now, Mr. Marx brought his suit in 1970, at a time when Mr. Fugazy was still a director of Diners' Club and supposedly loyal to Diners' Club, as a director is supposed to be.

Mr. Fugazy didn't bring his lawsuit, although he is alleging now the very same things, for about two and a half years after: October 1972. Now, naturally, as soon as Mr. Fugazy brought his suit, well, we filed our counterclaim against him. That's 1973. That's what he was referring to. What he doesn't point out -- and again I say it is inadvertent -- is that when Mr. Marx brought his suit in 1970, he was

promptly counterclaimed against in the early part of 1971. There has been no late discovery of this claim. It was later than it should have been. One of the reasons for the late discovery was the fact that these plaintiffs were in a position, inside the Diners' Club, to keep Diners' from finding out about this for a good while.

With that, I think you should focus for a moment on the business of the representations that they were getting. Mr. Fredericks keeps saying things were shown to them and things were told to them. He didn't get specific, and maybe he will get specific later on. One of the things I want to point out is that some of the representations came from Mr. Fugazy. I think we are going to find out, when he says that the representations came from Diners' Club, nine times out of ten or maybe ninety-nine times out of a hundred they are coming from Mr. Fugazy, his partner and his co-plaintiff in this case.

There are a lot of ramifications to that, and we will go into them a little further.

Just to keep in focus, we talk a lot about 1968, and I think you should know that Mr. Fugazy was president throughout almost the entire period, 1968, president of Diners' Club. I just want you to remember that when Mr. Fredericks and some of his witnesses talk about what Diners' Club was

doing in 1968, because I think it is fair to say that as the president of Diners' Club, Mr. Fugazy is in fact complaining about the things that he was doing, himself, and he is in here suing for them.

Mr. Fredericks, in the same vein of talking about corporations -- not about people -- talking about representatives of Diners' Club, gets into a situation where he talks about Mr. Asch and Mr. Pflug, I think he mentioned, pressuring poor Mr. Marx into giving up his cash. Here he's got this investment banker out there being pressured, pressured by Mr. Asch and Mr. Pflug.

Now, I think Mr. Fredericks forgot to mention to you who Mr. Asch and Mr. Pflug were. Mr. Asch and Mr. Pflug were employees and officers of Diners' Club. Do you know whom they were working for? Mr. Fugazy. Mr. Fugazy was the president of Diners' Club, and these individuals happened to be subordinates of his. So maybe we will find out, as Mr. Marx and Mr. Fugazy come on to talk about their story and what happened to them back in '68, maybe they will be able to tell us why Mr. Fugazy's subordinates were pressuring his partner in that fashion, and where was he? Maybe he was flying over to Paris again. Maybe somebody higher than he was at Diners' Club -- although I don't know who is higher than the president -- was telling him what to do.

MP

Well, we will get into that. As Mr. Fredericks says, his statements are not evidence. The witnesses' statements, the witnesses' testimony is evidence. They are going to tell us about who said what and who told whom and who did what.

Now, with respect to representations that they got, I think Mr. Marx is going to tell you that he heard from Mr. Fugazy this year, and Mr. Fugazy that year. There was quite a little scenario. I couldn't keep up with it all. I think Mr. Pflug was in there somewhere. I heard a lot of names, and every once in a while Mr. Pflug's name came in. I think what is going to happen when we get to the representations of what Mr. Fugazy was telling Mr. Marx, we are going to have to look into carefully whether or not Mr. Marx believed everything he heard from Mr. Fugazy. It's a very nice compliment, it's true. It's nice to have someone tell you that he believes everything you say.

But we will go back into the background. It didn't start in 1967. They go back long before that together, and they've got a bit of history before 1967, and that will demonstrate a good bit as to what Mr. Marx thought of Mr. Fugazy in 1967 and whether he was believing anything that was told to him by Mr. Fugazy.

I really hope, though, that you paid very, very careful attention to what was said by the plaintiffs' attorney,

Mr. Fredericks, and I hope that that is frozen in your minds. I hope you remember it throughout this trial, and to the best extent that I can do, I am going to keep reminding you of it when we finish this case and when we make our closing statements, because everything he said has got to be supported by his witnesses, and I think he has taken it upon himself as to what he is going to show, and if any of these witnesses come on and don't measure up to that, I think you ought to take due notice of it and see why they don't. Try to figure out why they don't.

Now, briefly, I will agree with Mr. Fredericks that this case can be reduced to simple terms. It takes some doing, because there are an awful lot of complicated transactions to get involved with here. Most of them are the transactions that were engaged in by Mr. Fugazy and Mr. Markx, because they never can make a transaction that's a very straightforward one.

One thing about any transaction that they are involved in: I think you will see later that it isn't A selling to B and B paying some money to A and B getting some properties. By the time you get through, there are all kinds of contracts and subcontracts, and one can dream up all kinds of names, and one has one corporation and one has the other, and one signs for one corporation and the other signs for another corporation

and it really takes some doing to get to the bottom of it, and after you get down to the bottom of it, you will find Bill Fugazy and Otto Marx, and they have done this a number of times, and some of those will be coming out.

Now, the plaintiffs are claiming a fraud here. The defendants are claiming a fraud as well. The defendants go a little further than that, because they say there is a breach of contract committed here by the plaintiffs. They cite the terms of agreements with Diners'. But even worse than that, at the very time that these activities that they complained about were going on, both Mr. Marx and Mr. Fugazy, Mr. William Fugazy and Mr. Louis Fugazy were officers and/or directors of Diners' Club or the Diners' subsidiaries, who, under all the principles of corporate law owed a duty of responsibility and loyalty to their own corporations, and as we go along, you will see that a good part of our counterclaim deals in the manner and ways in which they violated that trust that that loyalty, dealt in their own self interest, in conflict of interest positions, siphoned off money, in derogation of their loyalty to their own company.

Just for the last time, I will mention that this counterclaim was not asserted for the first time in 1973. You ought to know and remember that it was asserted very briefly after Mr. Marx's suit and then again in 1973, after Mr.

Fugazy's suit, and if Mr. Fredericks wants to raise the issue, you might ask yourselves why Mr. Fugazy waited some two and a half years to bring his lawsuit.

There isn't a speck of difference in what they are claiming in this case. I think you heard from Mr. Fredericks that they have been using their names interchangeably. One is claiming this, and the other is claiming that. You might ask yourselves why there was this two-and-a-half-year wait. We will go into that ourselves, and maybe Mr. Fugazy will deal with it when he gets on the stand, because he waited two and a half years to bring the suit that now finds him here, with Mr. Marx alleging the same thing.

You must understand that contrary to what counsel has suggested, that this counterclaim was asserted as an afterthought, the defendants are here very seriously not just to deny this claim that the plaintiffs are bringing but to seek justice and recovery for the acts that have been perpetrated upon them by these plaintiffs over a period of three or four years and the effects of which have still been going on.

Now, this case started in 1970, when Mr. Marx brough the first complaint. There have been five years of litigation on this, and I can tell you, although I did not participate in this case for the first years, that it involved five years of

pre-trial depositions.

In case you don't know what a pre-trial deposition is, it is testimony taken, which is sworn testimony, under oath, sometimes or usually taken in a lawyer's office -- not here in the courtroom -- but it is just as much under oath as the testimony that will be given here in this courtroom.

There were many depositions. I think Mr. Fugazy testified some eleven times. Mr. Marx testified on about six occasions. The various officers of Diners' Club, of Continental Corporation that the plaintiffs asked for, they all testified. Everybody they asked for was produced to them. They had five years to dig out all the evidence. The documents are enormous in number, the ones that have been produced on both sides, and I am sure Mr. Fredericks and I are going to be glad when this is over, just to get rid of the papers.

Now, after five years of taking depositions and taking documents and reading them and investigating them and everything else, I think that you ought to put a very strong burden on Mr. Fredericks and on my with respect to any of the things we are saying here. If it took five years to get to this moment, with all of the paper that we generated and all of the depositions that we took and all of that investigation, I think we ought to come in here with some proof.

Now, the defendants plan to do that, and I think

you ought to listen to any witnesses who come in here, after all this time and keep saying things that are not supported by anything. You scrutinize that kind of testimony pretty carefully after all the evidence that has gone into this case, so that when statement after statement is made without any supporting proof of any kind, you might ask yourselves, "Now, why is that?" Certainly, it is not the lack of time to find the corroboration for it. Maybe it doesn't exist.

Now, the plaintiffs' claims are really broken down into one main area of fraud. They say it is a two-fold thing; they were fraudulently induced to give up their company in 1967, and then their cash rights later on, and then they say that there was a failure to use the best efforts to register the stock in 1969, failure to file and make effective the registration statement.

Now, the essence of this claim, and the only thing that they really have to present to you jurors on this, is that they had this company in 1967. Now, I want you to focus on this company. It is called Fugazy Travel, although you may find it called some other things as we go along, because they have so many corporations and so many subsidiaries that you are going to find Fugazy this and Fugazy that, and sometimes it may not be easy to find out what we are doing, but usually the company we are talking about has "Fugazy Travel"

in it.

Now, Fugazy Travel is a company. Mr. Fredericks gave a bit of touching history on it, that it goes all the way back to the 1880's. That company was open for a long time before the present owners, Messrs William Fugazy and Louis Fugazy, took it over.

It seems about that time, in the mid-'50's that things started to happen, and that company has been sold three or four times since then. Mr. Fugazy is right in the middle of it, every time. It is an interesting thing to point out.

When we are talking about the sale in 1967, I think we ought to look at what those companies were doing in 1967. There was a very, very long part of Mr. Fredericks' speech to the jury that talked about how these people, Mr. Marx and Mr. Fugazy, did not want to sell their company to Diners' Club, but we have to question that. We are going to disprove that, and I am pointing it out to you because I want you to remember it very carefully.

As I recall, the version went that they said, "We are doing fine. We like it. We don't want to leave the travel business. We would like to stay here and do just what we have been doing for the last three or four years."

Well, Mr. Fugazy and Mr. Marks will have to come up and tell you what they were doing from 1963 to 1967. That

company was teetering on the edge, on the brink of bankruptcy in 1967. Mr. Marx couldn't get out fast enough. In fact, he was looking around for somebody to try to sell it to -- I will say unload it, to try to unload it on some unsuspecting buyer.

Now, Mr. Fredericks didn't really mention what they got in 1967, the thing that they wanted to do.

Understand this: they didn't want to sell to Diners' Club. They wanted to hang on to this company.

Now, what they got for getting rid of their company rounded up to, I will say conservatively, about three and a half millicn dollars of cash. That's what they got out of the Diners' Club, took it right out of their pockets. $300,000 cash. They got roughly 95,000 to 100,000 shares of Diners' Club stock, which was valued at various times: 36 when the first batch was received and $50 a share at the time the second batch was received.

So any way you look at it, these people got about five to eight million dollars in value for that company. Okay. The company might have been worth a lot more than that. I want to see them prove it. I would like to hear them talk about it. They are not going to talk about it. They are not going to talk about the value of that company at all. They've got some theory that shows they got the stock and the

stock dropped, and that's what they are basing their claim for damages on.

Just remember: in 1967 they were sitting on a company that we now know -- Diners' didn't know it then -- was teetering on the brink of bankruptcy, with one foot on a banana peel. Now, they got, conservatively five to eight million dollars for that. So if they would have preferred to keep that company, that must have been some company. There ought to be a lot of evidence to show how much that company was worth and why they were reluctant to part with it in return for a measly little five to eight million dollars. I will be waiting to hear that.

Now, in trying to understand why Diners' bought that company or understand why the company that turned out to be what what was purchased by Diners' for that much money, there is one thing we have to understand about this whole thing. It is safe to say, with all the evidence that comes into this case, that Mr. Fugazy is a super-salesman. Everybody says so, including Mr. Marx. He is a super-salesman. He can sell ice to the Eskimos. And he and Mr. Marx were together for about twelve years in business, starting about 1963.

They have been quite a team since then. I might call them the odd couple, because they have been selling together ever since 1963.

Now, Mr. Marx, who again was portrayed -- we didn't go into much detail, Mr. Fredericks didn't, about what Mr. Marx was. He was just called a little individual who is seeking redress, but what Mr.Marx is, is a man who is in the business of buying and selling companies. He is an investment banker, and he deals with buying and selling companies. Thatis how he lives. Infact, to such a point thathe is an expert consultant to some people on Wall Street in the buying and selling of companies.

Now, Mr. Fugazy isn't quite in that business. He is not buying and selling. Mr. Fugazy is generally selling and when he is selling especially he is selling Fugazy Travel, time and time again.

The interesting part of this is that is how they met. Mr. Fredericks mentioned in reference to the history of Fugazy Travel along going back to the 1880s and Mr. Marx bought it in 1963. Well, there are a lot of interesting things about thatpurchase in 1963 which was four years before they sold it to us.

Well, Mr. Fugazy got Mr.Marx first at that time. There were negotiationsgoing on between Mr. Fugazy and the

and the company that Mr. Fredericks calls Tower. of which Mr. Fugazy was director. Mr. Marx spoke to MR.Fugazy, saw financial statements, and he pays some money for it. paid some money for that company.

Now, later on , he found out that when he got his own accountants in, the J. K. Lasser people, thatMr. Fredericks was talking about --

MR. FREDERICKS: Your Honor, may we approach the bench before the next -- counsel continues on? I believe I'd like to make my objectionbefore he makes his statement to the jury since I anticipate where he is going.

THE COURT: He didn't interrupt you, but I will hear you.

(At the side bar.)

MR. FREDERICKS: I am sorry to interrupt counsel, your Honor, but I believe counsel was about to advise the jury about a lawsuit thatinvolves Mr. Marx and Ernst & Ernst in connection with some financial statements.

MR. SANTORA: Mr. Fugazy too.

MR. FREDERICKS: And Tower Acceptance which I don't think is relevant and I certainly think is prejudicial and I think it would be appropriate to make my objection before the jury hears it, and that is the purpose of my interruption.

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MR. SANTORA: Certainly I didn't bring up the Tower sales to Mr. Marx. It was used by Mr. Fredericks in his opeining address. I think I'd like to let them hear all about that sale. I think that when Mr. Fugazy and Mr Marx testify it's certainly relevant under various rules of prior conduct, specific instance of former conduct which is identical to what we say they are doing now.

MR. FREDERICKS: Your Honor, I don't see --

MR. SANTORA: I don't see how it can ---

THE COURT: Youwent back to 1963, Mr. Fredericks according to my notes.

MR. FREDERICKS: That's right, your Honor. I went back --

THE COURT: And under the circumstances, if these gentlemen were engaged in business activities of a similar nature in the years prior to this, I should think that under one theory or another, the final theory would be that it would go to their credibility. I am going to permit it.

(In open court.)

MR. SANTORA: Can you please ---

THE COURT: Mr. Reporter, if you would go back a sentence or two, counsel for the defendants will appreciate it, so that he can then pick up his opening statement.

(The record was read.)

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MR. SANTORA: You remember I mentioned Mr. Marx had just boguth a company. It's called Fugazy Travel. He bought it from a company called Tower which Mr. Fugazy was a director of. Also the president of the company being sold.

When Mr. Marx found out what he had really bought, he didn't like it too much. Hefound out it was about $400,000 overvalued at least from what he could figure out, and as you might understand, he got a little bit mad about it. But do you think he went back to Mr. Fugazy? Do you think he went to speak to him? Do you think he went to sue him for what happened in that sale? Do you think he went to the District Attorney to talk about the phony financial statements he had received and the phony information and representations thathad led him to lay out money for this company? No. He winds up suing other people, everybody but Mr. Fugazy. As a matter of fact, Mr.Fugazy is joining with him in those suits, one of which is still pending and still alive even as we stand in this courtroom.

As a matter of fact, the people being sued are the Tovere company themselves. The second group of people being sued in a separate lawsuit, I believe that lawsuit has been terminated, but the real lawsuit, the one that is going on right now is a suit against an accounting firm, a reputable accounting firm for in effect certifying as Mr. Marx calls

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it falsely, certifying the information that these accountants got from Mr. Fugazy.

Since it's Fugazy Travel that is bringing that suit and since both of these people recognize that they are the ones behind Fugazy Travel, and in thatlawsuit, and both of them stand to recover from it, they are going to explain at some point during this trial why Mr. Fugazy can give false information to Mr. Marx, Mr. Marx can turn around and sue the people who were also duped by Mr. Fugazy to accept thatinformation, and then ask Mr. Fugazy to join along for the ride and do the suit.

There is a striking similarity in that situation to what later went on with Diners' Club. AGain, beside these lawsuits where Mr. Marx sued everybody else, they became partners in 1963 and right through 1963, 1974, 1965, and 1967. They continued to be partners in Fugazy Travel. Contrary to what they are saying, they were operating a travel business and safe and happy in the travel business, I think the evidence is going to show they were never operating that company. In fact, they don't really operate companies at all. What they do is they take companies and package them, tie them up in a ribbon, and try to sell them, buy them and then sell them, and if you can dress it pu in any way you can, and get any price you can for it as far as they are

concerned that is the rules of the game. That is okay.

You will see how they tried to sell it. Mr. Fredericks in his opening statement really stressed very much how Diners' really had to work overtime to get these people to sell that company to them. That may be relevant here because I think in the plaintiffs' case they used the words "induced, fraudulently induced." You should remember that word because that means just what Mr.Fredericks said it means. I tmeans that these people had a thing that was so valuable and so good, and it was running right along there in the travel business, they weren't going to part with it, they were justhappy to stay in that travel business. They had to be induced, cajoled, persuaded, misrepresented to, defrauded, before they would part with that company.

I think it's good to focus on that aspect of their claim for when the vidence comes in as to what that company was worth in 1967, and what Diners' Club was doing in 1967. which was a healthy company, a company that was recommended by many investment people, and investment managers, and money managers. It was a company that was really a growing company with great expectations for new capital and people to invest their money in it because it was doing so well. That is 1967, and that is the last year before these people came into it.

What happened to them after that you will see in a moment. The first thing thathappened after the 1967 sale was that Mr. Fugazy became the president of the new subsidiary called Diners'/Fugazy Travel, which was supposed to be handling the same business as the Fugazy Travel. Mr. William Fugazy was the head man over there.

There is plenty of things being thrown around as to what that subsidieary was doing, but that washim, because he was the head of it; his brother was an officer of it. Louis Fugazy, and Mr. Otto Marx was a director in it. There wasn't anybody left but them.

Now we come to the Diners' Club itself, the parent of Diners'/Fugazy Travel. Mr. Fugazy was the president of that. He was also on the board of directors of it. Very nice position tobein when you have done some things that you don't want some ohter people to find out because you arethe top man in that company, and all of these people he keeps talking about, Mr. Hays, Mr. Flug, Mr. Asche, every one of them was a subordinate of Mr. Fugazy. They were good, decent and honest employees. They are now all former employees, all but one. and yet they are going to be in this coutroom and they are going to testify as to what was going on and what was being done by their boss.

One of the most striking things here, unreal to me

as an attorney, is to see someone coming into this court and claiming and trying to sue for the things that he did himself, or claiming taht his subordinates were doing things that he couldn't control. And that is exactly, of course, what the plaintiffs' claim is.

When we come to that last claim of theirs about filing the registration statement, I think there is going to be an apology given to this Court for making that claim and for actually wasting our time with it. I am not even going to deal with it now except to say that that is going to be out of this case very quickly because there is nothing to support it, and they have already admitted that it is not a proper claim. I don't even know what it's doing in here.

On the couterclaim, I wouldn't even dream of going into the specifics on this because this is a part of the case thatis going to come up a little bit later, but I do want to acquaint you with just some basic highlights of what we are going to show, and the one thing is we are going to show a sample of how they doctor up a company, in other words, how they put this ribbon it, and exactly how they did it in 1967. This is information that didn't come to them, to Diners' Club in 1967. For one reason, Mr. Fugazy was Diners' Club, as the president, so it didn't come to us. It

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Another example is that when they got into negotiations with Diners' Club I must say they kept an awful lot of things hidden. One of the things they kept hidden, and this is part of their counterclaim was Mr. Marx and Mr. Fugazy never once told us, never once told Diners' Club that the company they were buying had been sold in 1963, and that there was a claim of fraud coming out of it, and there was a lawsuit going on, and that in part Mr. Fugazy, the man who was going to come in and be in control in Diners' Club, was when you get right down to it, the malefactor, and the fountainhead of the whole fraud. These were the people who were coming to us, that was never told to Diners' Club. There were liabilities that were kept out. Some of this gets into numbers, and techniques and we will have some people with a lot more accounting background than I do, who will come in as witnesses to talk about it.

But, for example, we can put our fingers on at least $200,000 of claims that they admit were owed by Fugazy Travel that were never brought to our attention, never put into their net worth of their company so that Diners' could see what it was they were buying.

We never even found out about it until long after this lawsuit went. I can tell you personally that as far as the finding out about this lawsuit going on against the accountant

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I never knew about it until 1973 when it came out during the deposition of either Mr. Marx or Mr. Fugazy.

The Club, Diners' Club and its attorneys never even knew that until six years after the sale.

Oneof the reasons they never knew about it is another interesting technique that with all these suits that went on Mr. Marx would deliver pleadings to Mr. Fugazy, this is true, or to whoever he was suing, and he wouldn't file them in the courthouse so they never became a public record. They would achieve what they were supposed to achieve, namely, getting the person who received it to cough up some money to Mr. Marx, but at the same time, they would never be filed and they would never be a public record, thereby allowing them to go on and continue selling.

The worst thing of all, when we get down to it, in respect of the fraud that was pulled on Diners' in 1967, was the frahcnise system itself. This franchise system that they talk about, turned out in the long run to be nothing but a thing that is known as a Ponzi scheme. You may have heard of that term. If you haven't, I will tell you that a Ponzi scheme is a scheme whereby you do something that generates an awful lot of cash in the beginning, keeping all the obligations deferred to some timelater on, and you are able to show something as an enormously profitable thing

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WILLIAM DENIS FUGAZY, called as a witness in behalf of the plaintiffs, being first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. FREDERICKS:

Q Mr. Fugazy, the acoustics in these courthouses are not the best, so would you please keep your voice up. Ifyou dont' hear me , indicate so and I will try to keep the questions up and make sure that the last juror over can hear your testimony.

Your full name is William Denis Fugazy, sir?

A Yes, sir.

Q Where do you reside, sir?

A Sunny Ridge Road, Harrison, New York.

Q Would you give us your educational background, please, Mr. Fugazy?

A I attended St. Joseph's Academy in New York, Xavier High School, I went to Fordham University , and then I was taken into the Navy program and sent to Cornell where I graduated and finally to Columbia Midshipmen's School where I was commissioned during the war.

Q Did you serve your country during Word War Two, sir?

A Yes, sir.

Q Were you discharged from the service?

A Yes.

Q When was that, sir?

A I was discharged in 1946.

Q By whom are you presently employed, sir?

A I am employed by Diners'/Fugazy Travel and Incentive Co.

Q Does that company hve any relationship to Diners' Club, the defendant in this action?

A No, sir.

Q Who owns Diners'/Fugazy Travel and Incentive company, sir?

A It's half owned by J. Walter Thompson Advertising AGency and General Leisure.

Q General Leisure Corporation?

A Yes, sir.

Q How long have you been president of that company Mr. Fugazy?

A Of the present company, sir?

Q Yes, sir.

A Since it was formed in 1970.

Q Have you been at any time an officer of Diners'/ Fugazy Travel, Inc.

A Yes, sir.

Q In what capacity were you with that company, sir, Diners'/Fugazy Travel, Inc.?

A I was president from its inception until I resigned in 1970.

Q When was the inception of the company known as Diners'/Fugazy Travel, Inc.?

A Shortly after or immediately or concurrent with the time they bought our company, Fugazy Travel Bureau. They changed the name and merged it into a new corporation, elected me president.

Q Mr. Fugazy, would you please tell the ladies and gentlemen of the jury who they were?

A I am sorry, Diners' Club in 1967 bought our Fugazy Travel Bureau, changed the name to Diners'/Fugazy, and elected me president and irector.

Q In other words, Diners'/Fugazy Travel was a wholly owned subsidiary of the Diners' Club, Inc, the defendant in this action; is that correct?

A That's correct, sir.

Q Do you know when that acquisition took place?

A I believe it was completed on October 30, 1967.

Q Prior to the time that Fugazy Travel was acquired by Diners' Club, by whom were you employed, sir?

A By Fugazy Travel Bureau.

Q In what capacity, sir?

A President.

Q Were you also a member of the board of directors of that company?

A Yes, sir.

Q How long haveyou been president of the company?

A Since my father's death in 1957.

Q Have youever been an officer of the Diners' Club, Inc., the defendant in this action?

A Yes, sir.

Q Werel you ever a director of that company?

A Yes, sir.

Q Would you tell us please when you were president of Diners' Club as best you can recall?

A I was elected in April of 1968 as president and director. I resigned in February of '59 as president and stayed on through 1970 or into '71 as a director.

Q Mr. Fugazy, you said 1959. Do you mean '69?

A I am sorry, excuse me, 1969.

THE COURT: Perhaps you could go through those dates again.

THE WITNESS: I am sorry. I was elected president of Diners' Club in February of 196-- in April of 1968. I was made a -- I was made president and director. I stayed

president of Diners' Club, the parent company, until February of 1969, when I resigned as president of Diners' but stayed on as president of Diners'/Fugazy, the subsidiary.

I stayedon the board of the parent company through 1970, and I believe into the early part of '71.

Q Can you tell me, sir, when Fugazy Travel Bureau was first formed?

A My grandfather established the business in 1870.

Q Can you tell me and give me the history of your involvement with that company? When didyou first become involved with Fugazy Travel Bureau, Mr. Fugazy?

A When I came out of the servicein 1946.

Q At that time who owned the company?

A I believe at that time it was owned solely by my father, entirely by my father.

Q Did you become an officer of the company at that time?

A Not until maybe I worked a few years, two or three years. I became a vice president, yes.

Q You worked in various capacities in the company until in 1950 you became a vice president?

A About that time, yes, sir. I believe it was 1950.

Q And you remained vice president for how long?

A Until 1957 when my father passed on.

Q Do you have a brother, sir?

A Yes.

Q His name?

A Louis V. Fugazy.

Q Is he a plaintiff in this action?

A Yes, sir.

Q Did he have any involvement in the Fugazy Travel business, sir?

A Yes, sir.

Q What was his invqvement?

A: He was in the company before me, because he is older than me, and was also a vice presdient, and became chairman of the board when my father died, and then was vice chairman of the board during Mr. Marx's days with the company, and I believe he was vice chairman of the board under the Diners' ownership. I am not that sure.

Q Would you tell me, please, the nature of the business engaged in by Fugazy Travel Bureau?

A Well, the family business originally started off as a private bank, and the travel business was part of the bank, and when my grandfather died in 1927, the bank was sold and we kept the travel business which we operated as a family business throughout the years.

Q What type of travel business didyou operate, Mr. Fugazy?

A. Well, it was -- in the old days mostly all the travel agencies were ethnic agencies. I mean you dealt with the neighborhood, the Italians or the Irish or what have you, wherever the neighborhood was, and we were in a predominantly Italian neighborhood, and then we wend in and expanded and went into general travel business, and I'd say from about 1952 to '53 on, we became the second -- the third or fourth largest travel agency.

THE COURT: Did you book trips for people?

THE WITNESS: Yes, sir, we earn our commission from the airlines, the hotels, the steamship companies, and we do pleasure trips and commercial trips for large corporations and general vacation, package travel, what have you.

Q. Mr. Fugazy, did you do retail travel work?

A. Yes, sir.

Q. Would you explain to the ladies and gentlemen of the jury and his Honor what retail travel business is all about?

A. Retail travel is when people like members of the jury or people in the street want to go on a trip, they go into a travel agent and the travel agent helps them plan their accommodations and makes their airline reservations, their hotels, and what have you, and charges them the same price because they receive commissions from the various

companies they represent. That's the retail business where you are dealing with the public per se, or the --

Q Were you involved in the commercial travel business?

A. Yes,

Q Would you explain to his HOnor and the ladies and gentlemen of the jury what the commercial travel business was all about?

A. We would go to large corporations like RCA or Grumman and offer to take over their service department to handle their executives who were traveling to save them the cost of making the reservations themselves. This became our business, which it is to this very day. You deal primarily with corporations rather than the individuals or the public thatyou deal with in the retail business.

Q Mr. Fugazy, do you know the plaintiff in this action, Mr. Otto Marx?

A. Yes, sir.

Q When didyou first meethim, sir?

A. I believe around 1962, approximately 1962. Mr. Marx was brought to me by some of the officers of Tower Acceptance, who owned us at that time, and said Mr. Marx was interested in acquiring our company.

Q Did there come a time when Mr. Marx did in fact purchase an interest in Fugazy Travel?

A Yes, sir.

Q And when was that?

A I believe it was in March of '62, or approximately that time.

Q And he acquired that interest from whom, sir?

A He acquired it from Tower Acceptance Company, who owned it at that time.

Q Now, prior to Mr. Marx's acquisition of Fugazy Trav did you have any conversations with him concerning your continuing operation with the company?

A Yes, sir.

Q Would you tell the ladies and gentleman of the jury that conversation?

A Mr. Marx said that he was very interested in getting into the travel business and that our company had been mentioned, and he understood that Tower was having problems with its loan offices that it owned and wanted to sell the company and he said if he bought it, would I go along and stay with him and manage it together with my brother, and he would work out an official arrangement if we would do so.

Q Did he talk to you about possibly your getting a stock interest in the company?

A Yes, sir. He said that, I think, he paid a million five for the company at that time, and he said, "After we get back our investment, I will split. I will give you and your brother fifty per cent for your own beneficial ownership."

Q When you say "each fifty per cent" --

A Excuse me. " . . . give you each twenty-five per cent, for a total of fifty per cent."

Q Now, did Mr. Marx acquire Fugazy Travel?

A Yes, sir.

Q And did you continue to be associated with Fugazy Travel?

A Yes, sir.

Q And in what capacity?

A President.

Q Were you also a member of the board of directors of that company?

A Yes, sir.

Q And did your brother, Louis Fugazy, remain with Fugazy Travel?

A Yes.

Q And what was his capacity?

A Vice Chairman of the board.

Q And what position did Mr. Marx have with the company?

A He became chairman of the board.

Q Now, tell me: did there come a time when you had any negotiations with Diners' Club concerning their acquisition of Fugazy Travel? Do you recall any conversation --

A The original --

Q Do you recall any conversation --

MR. SANTORA: Objection, your Honor. It is leading. I object to that.

THE COURT: Yes; it is leading, and I think we have reached a point where you should frame your questions more properly.

MR. FREDERICKS: I am sorry. I thought my question called for a yes-or-no answer.

THE COURT: That's exactly it. You put your finger on the problem.

Q Mr. Fugazy, will you tell me the first time you had any conversations with anyone from Diners' Club?

THE COURT: Let's go back one step.

(To the witness:) Did there come a time when you or your brother had some conversations with Diners' Club?

THE WITNESS: Yes, sir.

THE COURT: When?

THE WITNESS: I believe it was in 1950.

Q Now, the first conversation you had with him in 1950

and that was the time when your father was still alive and running the company; is that correct?

A Yes, sir.

Q Now, what did these conversations relate to?

A Diners' Club was just established, and they wanted to buy us in order to get into the travel business, and we had no interest, and we talked for two or three times, and we just never consummated any deal.

Q Now, did there come a time when you had additional conversations with anyone with Diners' on the same subject?

A Yes, sir.

Q And when did those conversations take place and with whom?

A I believe they were 1955 and possibly 1956, but I think '55. And the meetings -- the discussions -- excuse me -- were with Mr. Bloomingdale.

Q In 1955, Mr. Fugazy?

A I'm sorry --

MR. SANTORA: I object to this.

THE COURT: I think the witness has just indicated that he was mistaken.

MR. SANTORA: I think it was after the question. I am not trying to be obstructive here, but the witness should be allowed to testify.

THE COURT: Well, the witness has indicated that it wasn't 1955.

THE WITNESS: 1965, your Honor. I'm sorry.

THE COURT: All right. In other words, after Mr. Marx had purchased an interest in Fugazy Travel?

THE WITNESS: Yes, your Honor.

Q Now, with whom did you have those discussions?

A The discussions were with Mr. Bloomingdale from the Diners' Club side, Mr. Marx and myself.

Q And can you tell us in substance what those conversations were and the outcome of those discussions?

A Well, Bloomingdale again approached us, and I can't remember through whom or how it happened, but he said he wanted to buy the company. We had two, three or four meetings with him. The result of those meetings were, from our standpoint -- well, anyhow, nothing materialized. The meeting broke up.

Q Excuse me, but would you tell the ladies and gentlemen of the jury who Mr. Bloomingdale was?

A Mr. Alfred Bloomingdale was the founder of the Diners' Club, chairman of the board, president and chief executive officer from the beginning of the club until he left, in 1971 -- excuse me -- 1970 or '71. I'm not sure which it was.

Q Now, did there come a time when you had further discussions with anyone representing Diners' Club concerning acquisition?

A Yes.

Q And will you please tell us when those discussions took place and with whom?

A At the end of June of 1967, I was approached by a Mr. Mitchell Liftig, whom I knew, and said that he was authorized by Mr. Bloomingdale to negotiate -- to approach us and negotiate for the acquiring of Fugazy Travel Bureau.

Q Can you tell me, Mr. Fugazy, the exact date of that meeting?

A I think it was around the end of June, but if I can look at my diaries, I probably can -- if you want to know exactly, I think it was June 23rd, but I am a little nervous and confused, and I don't want to give you the wrong dates.

Q Mr. Fugazy, are there any documents which you can be shown to refresh your recollection?

A Yes, sir. I believe you have my diaries there, and I believe there are entries to show when that happened.

MR. FREDERICKS: Your Honor, may I ask that these be marked Exhibits 1, 2 and 3 for identification?

MR. SANTORA: I would like to have copies, your Honor, because we haven't had --

THE COURT: Well, you can see them.

MR. FREDERICKS: Your Honor, we have furnished --

THE COURT: Please.

MR. FREDERICKS: I am sorry, your Honor.

THE COURT: Those are all diaries?

MR. FREDERICKS: Yes, your Honor.

THE COURT: Very well.

MR. FREDERICKS: For the year 1967, your Honor.

(Plaintiffs Exhibit 1 marked for identification.)

Q Mr. Fugazy, I show you what has been marked Plaintiffs' Exhibit 1 for identification, and I ask you to examine that and tell me what that is, sir.

A This is the diary I keep on my desk in the office, my own personal desk, which I try to make notations on.

THE COURT: Your diary of appointments?

THE WITNESS: Yes, your Honor.

Q And that is a book which you maintained?

A On most occasions, but my secretary sometimes makes notations, but it is on my desk.

Q It is on your desk at all times and under your direct control and supervision?

A Yes.

Q I show you what has been marked Exhibit 3 for identification. Will you tell me what that is, sir.

A This is the pocket diary which I carry mostly when I travel, to make notes of dates where I have to be in certain places or --

Q And this is a book in which you make appointment entries in also; is that correct?

A Yes, sir.

Q And will you tell me what Exhibit 2 for identification is?

A Well, this is a combination of diary and phone calls and what-have-you, usually -- that my secretary keeps, usually on her desk to check my appointments or check my phone calls and things like that.

THE COURT: What year is that?

THE WITNESS: They are all the same year, your Honor.

MR. FREDERICKS: That's also '67.

THE COURT: 1967.

THE WITNESS: Yes, your Honor.

Q Do you direct that entries be made in Exhibit 2 for identification?

A Yes.

Q And the entries are made under your supervision and control?

A Yes, sir.

MR. SANTORA: Your Honor, may I look at those for a

moment?

THE COURT: They haven't been offered yet, but if you want to look at them, I will still permit it.

MR. SANTORA: I just want to see them.

THE COURT: You may.

MR. SANTORA: Thank you, your Honor.

THE WITNESS: Thank you.

THE COURT: I think there is a question that was pending before the diaries were identified. You were not sure about the date on which Mr. Liftig spoke with you. You thought it was the end of June 1967. Are you able to refresh your recollection at this time from looking at any of the three exhibits which have been marked for identification and tell us when you say you had this conversation with Mr. Liftig?

THE WITNESS: Yes, your Honor. May I look at the book?

THE COURT: You may.

THE WITNESS: June 21st is the -- June 21st was the time that Mr. Liftig had this conversation with me.

Q Now, would you tell us, please what you said to Mr. Liftig and what he said at that time?

A I was meeting with Mr. Liftig on another matter, and he said that Mr. Bloomingdale had telephone him -- Mr.

Bloomingdale had telephoned him and asked if he would contact Mr. Marx and myself about re-opening negotiations to acquire Fugazy Travel Bureau. I told Mr. Liftig that I did not think Mr. Marx would be interested, and I didn't think I was, but in any event, I would tell Mr. Marx.

Q Did you have a subsequent meeting with Mr. Liftig after the meeting you have just spoken about?

A Yes.

Q And when did that meeting take place, if you can recall?

THE COURT: First, if you can recall without looking at the diary.

THE WITNESS: I am sorry. I will shut it.

THE COURT: You can leave it. Do you have a recollection of when the next meeting occurred?

THE WITNESS: Your Honor, I looked at it, so I know.

THE COURT: All right. Tell us.

A June 23rd.

Q And that date you fix by referring to your diary, which you have in front of you; is that correct?

A Yes, sir.

Q And who was present at that meeting, if you can recall, Mr. Fugazy?

A Mr. Marx, Mr. Liftig and myself.

Q And can you tell us, please, as best you can recall, what you said to Mr. Liftig and what Mr. Marx said to Mr. Liftig and what if anything Mr. Liftig said to you in that meeting on the 23rd of June?

A Liftig started off by saying that the Diners' Club at that time, 1967, was a completely different company than the company we had been talking to in 1965.

MR. SANTORA: I have to object, your Honor. It's hearsay. I move it be excluded.

THE COURT: I assume that they want to establish an agency relationship, and then I suppose they intend to argue that the statements of the agent would be binding.

Are you objecting that that agency relationship hasn't yet been established?

MR. SANTORA: Yes, your Honor.

THE COURT: Sustained. At this point, at least, the jury will disregard the statements just made by the witness.

Since the agency can't be proved from the mouth of the purported agent, I suggest that you will have to lay your foundation first, Mr. Fredericks, before you can get this conversation in.

Q Mr. Fugazy, prior to your meeting with Mr. Liftig on the 21st of June, had you known Mr. Liftig?

A Yes, sir.

Q And had you had occasion to have any business transactions with him prior to that date?

A Yes. We were involved in buying a company from him. We had bought a company from him. He's a business broker.

Q And what company did you acquire?

A A company called Buckingham Limousine, which he and Mr. Bloomingdale owned.

Q Who is that, sir?

A Alfred Bloomingdale, of the Diners' Club.

Q He and Alfred Bloomingdale. Now, Mr. Fugazy, after you met with Mr. Liftig in June of 1967, did you have occasion to meet with Mr. Liftig in the company of any members of Diners' Club?

A Yes, sir.

Q And with whom did you meet at that time?

A Well, I subsequently went out to the West Coast to meet Mr. Liftig and Mr. Bloomingdale, to start the negotiations, and I met --

Q Did you --

THE COURT: Let him finish his answer.

MR. FREDERICKS: I am sorry.

A -- all of the people from the Diners' Club. He was their broker, and he was associated with them.

Q And during the course of your meeting with Mr. Bloomingdale, at which Mr. Liftig was present, did Mr. Bloomingdale advise you of Mr. Liftig's role in this transaction?

A Yes.

Q And what did he tell you at that meeting?

A Liftig was representing Diners' Club in the negotiations or attempts to acquire our company.

Q Thank you. Now, taking you back to the meeting of June 23rd with Mr. Liftig and Mr. Marks, would you tell us, please what Mr. Liftig said to you and what he said to Mr. Liftig and what Mr. Liftig said to Mr. Marx?

A Mr. Liftig explained to Mr. Marx and myself that the Diners' Club of 1967 was a completely different company from the Diners' Club from 1965.

THE COURT: Now you have said 1965. Do you stand with that date, or is it an earlier date? I seem to remember you had a problem.

THE WITNESS: No, sir. There were three dates. We started with Diners' Club back in '50. We met again in '65, and this was '67.

THE COURT: Fine.

THE WITNESS: I think I am right.

Q Would you continue, Mr. Fugazy?

A What?

THE COURT: Would you just proceed.

THE WITNESS: I am sorry.

A (Continuing) Mr. Liftig said during the past year or two, Diners' Club has changed dramatically, because the Continental Insurance Company, with all of its millions, has now come into the Diners' Club and has put millions of dollars in the company. They bought out the Schneider estate, and they are now about to take over the company completely, so they are a very substantial company.

Bloomingdale -- excuse me -- Otto Marx, being an investment banker, was very -- was reluctant to accept that, and so I haven't heard of it --

Q What else was said at that meeting, if you can recall?

A Well, Liftig, being in the role of a broker, was trying to --

THE COURT: No. I'm sorry. Don't tell us that. Tell us what was said.

THE WITNESS: I'm sorry.

A (Continuing) Well, Liftig said, "Bloomingdale and Victor Herd want to buy your company. They need it desperately for Diners' Club. We want to make a deal quick."

Q Would you identify for the ladies and gentleman of the jury Mr. Victor Herd to whom Mr. Liftig referred?

A Mr. Victor Herd at that time was chairman of the board and chief executive officer of the Continental Insurance Company, which owned twenty or thirty per cent of Diners' at that time, and today owns the whole company.

Q Was he also a member of the board of directors of Diners' Club, if you know?

A Yes, sir. He was at that time?

Q Now, as a result of the conversations with Mr. Liftig, did there come a time when you took some affirmative action?

A You mean, sold the company, or --

Q No, no. What did you do next? What was the next meeting you had?

A Oh, Mr. Liftig asked Mr. Marx and myself if it was all right for me to go out to the West Coast to meet with Mr. Bloomingdale to negotiate. Mr. Marx wasn't in favor of my going out, but I said I thought it was good we should, and I agreed to go out.

Q Now, can you tell us, please, when you flew out to Los Angeles to meet Mr. Bloomingdale?

A It was the beginning of July. If I can look at my diary I can tell you exactly.

THE WITNESS: Your Honor, I don't know whether I have permission to look at it or not, and I don't want --

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THE COURT: Well, let me explain to you and the jury the situation. A witness is supposed to testify to the best of his recollection until his recollection is exhausted. Once your recollection is exhausted, if you are unable to answer the question, if there is a document, a diary or something similar from which you can then refresh your recollection, you may look at that document, and then, if the document refreshes your recollection, you can tell us what your refreshed recollection of the matter is.

As I understand it, you have a general recollection of meeting with Mr. Liftig and Mr. Bloomingdale on the West Coast some time in July 1967; is that correct?

THE WITNESS: Yes, sir. I think I flew out on the 11th, and I think I got there the 12th. I'm not sure, but I think that was it.

Q Mr. Fugazy, if you please, look at your diary and see whether there is an entry there that will refresh your recollection as to the exact date.

A Yes. I flew out at six o'clock on the 11th, and I spent the whole day of the 12th there.

Q Mr. Fugazy --

THE COURT: Just so the record is clear, what exhibit did you look at to refresh your recollection?

THE WITNESS: Excuse me, your Honor. I looked at

MP 17 W. Fugazy - direct

Plaintiffs' Exhibit 1.

THE COURT: That's fine.

Q Mr. Fugazy, did Mr. Bloomingdale --

MR. FREDERICKS: Strike that.

Q Did you tell Mr. Liftig what flight you were going to take to California?

A I don't think so.

MR. SANTORA: I do object to this, your Honor.

THE COURT: Well, he has answered the question.

THE WITNESS: Sorry.

THE COURT: I thought he said he didn't think so.

THE WITNESS: I didn't know he was objecting. I wouldn't have answered. Your Honor, should I wait --

THE COURT: If you see counsel rising after a question is asked, do wait, and if he has something to say in the form of an objection, he will state his objection, and then I will rule.

THE WITNESS: Thank you.

THE COURT: I will let that answer stand. The witness has said he doesn't think so.

Q Mr. Fugazy, who if anyone met you at the airport when you arrived at Los Angeles?

A Mr. Bloomingdale had someone meet me from the Diners' Club in a car. I can't recall who it was, but they

met me.

Q Someone from Diners' Club met you at the plane?

A Yes, sir.

Q Now, between the discussions you had with Mr. Liftig in New York and your meeting with Mr. Bloomingdale in California, did you have an occasion to meet or discuss this proposed negotiation with any officer or director of employee of Diners' Club?

A In New York?

Q No. Between your meeting with Mr. Liftig and your meeting with Mr. Bloomingdale.

A Yes. I got on the plane that night to Los Angeles, and I sat down next to someone, and he introduced himself as being an officer of Diners' Club, and just by accident we happened to meet, and we started talking, and we talked all the ways out to the Coast.

Q And who was that gentleman, sir?

A Jules Asch.

Q And what was his position with Diners' Club, if you know, at that time?

A I believe he was a vice president of finance or -- I think he was just a vice president. I think he was vice president.

Q And will you tell us, please, the sum and substance

of your conversation with Mr. Asch on the plane to Los Angeles, what you said to him and what he said to you?

A Just an exchange of pleasantries. He said he had recognized me, and he was happy to meet me, and I indicated the same, and he said that he had heard that there were negotiations going on between our companies, and he started to tell me about the changes in Diners' Club, because he knew that I had been familiar with the old management, and talked about the Continental involvement and how happy they were and what substance it added to Diners' and so forth. Nothing to do with negotiations that were about -- nothing to do with the negotiations that were about to take place.

Q Do you recall anything else in that conversation with Mr. Asch?

A No. Just Continental's involvement. He did mention that, "The rumor is" or "We believe Continental is going to take the company over very shortly," or "It's in the cards to be taken over." Certainly nothing of a definitive nature, but just an indication that things were happening.

Q Now, you were met at the airport by someone at Diners' Club, and you then were taken to meet Mr. Bloomingdale, is that your testimony?

A Yes, sir. I believe that was it.

Q And you had a meeting with Mr. Bloomingdale in Los

Angeles; is that correct?

A Yes, sir. I don't know whether the meeting started that night or we just -- maybe for a few minutes that night, because I think you get out there eight or nine o'clock at night. But the meeting started early the next morning at breakfast.

Q And who was present at that meeting?

A Mr. Liftig, Mr. Bloomingdale and myself.

Q Would you tell me, please, as best you can recall, what Mr. Bloomingdale said to you, what Mr. Liftig said to either you or Mr. Bloomingdale and what you said to either of those two gentlemen during your meeting in Los Angeles?

A Well, Mr. Bloomingdale said that Diners' Club was now a revitalized company, thanks to Continental's involvement, but they were having a serious problem competing with American Express. He said, "Victor Herd and the board of directors want us to acquire the biggest and most prominent and what-have-you travel bureau, and we want your company." He said, "We were very impressed with the franchise program that you are doing, and we want to buy the company."

I told Mr. Bloomingdale that I thought he was going to have some trouble, because Mr. Marx wasn't disposed to sell to Diners' Club, because he didn't feel that Diners' Club was strong enough to provide us with what we needed to grow at the

time.

Mr. Bloomingdale said that he was told by Continental that he had an open-ended checkbook, so to speak, but that what he really wanted us for was, he wanted to use-- for me to provide him with the contacts to meet with the major airlines and hotels, because American Express was killing him in negotiations, and not being in the travel business they were at a disadvantage as opposed to American Express, who had both the big travel bureau and the big credit card company.

Q Did Mr. Bloomingdale make any response to your comment to him about Mr. Marx's concern?

A He said, "Yes, Continental owns twenty per cent of us now. They are going to own all of us very shortly, and we will convince you and Otto that we are the company you should come with."

Q Do you recall anything else at that meeting out in Los Angeles?

A No, sir. He reviewed with me what was going on at Diners' Club and Continental, and I explained to him -- we talked all day, and I left late at night with Mr. Liftig to go back to New York,but we had spent ten or twelve hours together.

Q Now, upon your return, sir, did you have occasion to meet with Mr. Marx?

A Yes. I believe I met with Mr. Marx either late that night or early the next morning.

Q And did you have a conversation with Mr. Marks concerning your trip to Los Angeles?

A Yes, sir.

Q And will you tell me what you told Mr. Marx, sir?

A I told him exactly what Mr. Bloomingdale told me, and the Continental's position, and Bloomingdale's indication that he didn't care what the price was; he had to buy our company, and Marx just said, "Well, we'll see."

Q Did there come a time after your meeting with Mr. Bloomingdale in Los Angeles that you met with Mr. Bloomingdale again, sir?

A Yes, sir.

Q And when was that, sir?

A The following Sunday, which I think was the 16th. Mr. Bloomingdale had called me before and asked me to meet him for dinner that week -- that Sunday night.

Q Where was Mr. Bloomingdale when he called you?

A He called me from Los Angeles, and he flew to New York, and I met him in the city. I drove in from the country and met him in the city.

Q And can you tell us, please, the conversations that you had with Mr. Bloomingdale at that meeting, sir?

A Mr. Bloomingdale said he had come in that week to lock up the purchase of Fugazy Travel Bureau, that he was dedicating the whole week to it and that we would start meeting on Monday, and he wanted a letter of agreement signed that week, but that he wanted me to spend the week with him, taking him around to meet the various presidents -- excuse me -- presidents of the various airlines, whom he didn't know, to try to start improving Diners' contract with those airlines. Diners' had very bad contracts with the airlines as opposed to American Express, who had very good contracts, and Bloomingdale felt he needed help.

Q And what was your response to Mr. Bloomingdale's comments to you?

A I said, "Well, Alfred, I don't know that we are going to make a deal. I don't know that I want to make one. Otto doesn't want to make one unless Continental is going to own this company." But I said, "I am happy to have you meet these people, anyhow. They are friends of mine, and I will do that for you, anyhow."

Q What was Mr. Bloomingdale's response, if any, to your comments about Mr. Marx's concern?

A He said, "We will handle Otto Marx." He said, "You and Otto are going to meet Victor, Victor Kerd, and Harold Johnson, and you will be convinced that Continental is taking

us over. So forget that. The deal is done."

Q Now, after that meeting with Bloomingdale on the 16th, did you have any other meetings with Mr. Bloomingdale during that week?

A I believe I met with him every day that week until we signed a contract.

Q And can you tell us, as best you recall, what discussions you had with Mr. Bloomingdale during that week?

A The first meeting was early Monday morning, when Bloomingdale, Marx, Liftig, Tom Hayes, who was the chief financial officer of Diners' Club -- I don't know who else. Maybe -- we all met to discuss the deal, and Bloomingdale just said to them, "We are buying this company for this price. I want you people to draw up the papers, get the lawyers. Bill and I are going to be busy all week, meeting people and getting important things done. Get the deal done this week," and that's it.

Q What was Mr. Marx's rejoinder to that, if any?

A Marx said, "We will discuss it," but again he said, "Alfred, you've got to assure me of Continental's position, and you've got to convince me that Continental is going to own this company.

Q What did Mr. Bloomingdale respond?

A He said, "No problem. I will take you and Bill down

to meet Victor and Harold down very shortly," or, "You will see evidence and you will know that this is so." Something to that effect.

Q Now, did you have other meetings with Mr. Bloomingdale during that week?

A Yes, sir.

Q And would you tell the ladies and gentleman of the jury about those meetings?

A I took him over to meet Mario Saddler, the president of American Airlines. We had a long meeting with him. I believe we met with Harold Gray, the president of Pan Am; Charles Tillinghast, the president of TWA. We met all week and had lunch and dinners, and then we had meetings at the end of the day to review, as he said, "What the boys in the back room were doing with the contracts and the negotiations." And finally, I believe, on the 20th, which was a Thursday, if I recall --

THE COURT: Is this still July?

THE WITNESS: Yes, sir.

A (Continuing) The 20th of July we signed a letter of intent, and that was -- I may be wrong. I think that's the date.

MR. FREDERICKS: May this be marked for identification, please.

(Plaintiffs' Exhibit 4 marked for identification.)

THE COURT: Counsel, are you offering the exhibit that you have just shown your adversary?

MR. FREDERICKS: Yes, your Honor. That is what I was trying to do: get a stipulation --

THE COURT: Any objection?

MR. SANTORA: I am just not sure it is a complete copy. I have no copy here.

THE COURT: Do you represent it is a complete copy?

MR. FREDERICKS: Yes, sir.

THE COURT: If it is not, you can find a complete copy and substitute it for this.

Received as Plaintiffs' Exhibit 4 in evidence, without objection.

(Plaintiffs' Exhibit 4 for identification was received in evidence.)

THE COURT: This seems to be a conformed copy, is that right, counsel?

MR. FREDERICKS: Yes, sir.

THE COURT: That has attached to it a second letter, all of the same --

MR. FREDERICKS: Yes. It is all part of the same exhibit, your Honor.

THE COURT: Very well.

Q Mr. Fugazy, I show you what has been marked Plaintiffs' Exhibit 4 in evidence. Can you identify that for me, please.

A I believe this was the letter of intent that we signed on the 20th of July.

Q This is the agreement that you had just referred to, that was signed on the 20th?

A I didn't sign it. I don't think I signed it.

THE COURT: Would you look: that is a conformed copy. It doesn't seem to bear signatures.

THE WITNESS: No, sir. I didn't sign it.

THE COURT: But you can identify it as the letter of intent which was signed on July 20, 1967?

THE WITNESS: Yes.

Q Mr. Fugazy, you tell us that between the 12th and the 20th, you had numerous meetings with Mr. Gloomingdale on numerous occasions and numerous matters on various subjects during that period; is that correct?

A Yes, sir.

Q And did you make a notation concerning those meetings in the books that have been marked Exhibits 1, 2 and 3 for identification?

A I would think --

Q I don't want you to think, Mr. Fugazy. If you know, please say you know and, if you don't know --

A I can't say. I don't know whether I made them all or if I made some. I don't know.

Q Would you take a look at Exhibits 1, 2 and 3 for identification and tell me whether that refreshes your recollection.

A Are you referring in regard to the signing of this agreement?

Q No, no. I am referring to the meetings that you testified you had with Mr. Bloomingdale between July 12th and July 20th.

THE COURT: He wants to know if each of the meetings are set down in the diaries or in one or another of the diaries.

A Yes, sir. Starting with the 16th, 17th, 18th, 19th, signing of the agreement on the 20th; yes, sir.

Q Now, Mr. Fugazy, did all of those meetings that you had with Mr. Bloomingdale during that period deal with the acquisition or were they, some of them, concerned with matters totally separate and apart from the acquisition?

MR. SANTORA: I must object to that question.

THE COURT: Sustained.

Q Mr. Fugazy, would you tell me what the subjects of those meetings with Mr. Bloomingdale related to?

A Some related to the acquisition but most of them related to Diners' Club projects. Bloomingdale was already beyond buying our company. He now had me involved in all sorts of projects that he wanted me to do for him in the Diners' Club.

For instance, he was very anxious that the agreement be signed on Thursday, as I recall, the 20th, because he wanted me to fly to London -- almost sounds funny when you say it -- fly to London on Sunday night to buy the Queen Mary for the Diners' Club and Otto Marx wasn't about to see me flying to London to buy the Queen Mary for the Diners' Club, unless an agreement was signed. So, it was a very difficult situation.

Q Mr. Fugazy, did you have occasion to leave the

country after July 20th?

A I flew to London Sunday night, yes, sir.

THE COURT: What date was that?

THE WITNESS: Sir, I believe it was the 20th, but --

Q Mr. Fugazy, would you please look at your diary and see if that can refresh your recollection as to the exact date?

A I flew to London on TWA on July 23d.

Q That is a notation from your diary.

A Yes, sir.

THE COURT: That would be three days after the letter of intent was signed.

THE WITNESS: Yes, sir.

Q With whom did you meet in London?

A Well, I flew over at Mr. Bloomingdale's request with Mr. Zeckendorf, Bill Zeckendorf, Jr., who was representing Diners' Club; a Mr. Leeds, who was representing Diners' Club. I met with two Cunard Line people who were putting the Queen Mary out for bids and I met -- Bloomingdale had cabled the Diners' Club officials in London to meet me and I met with them, and I met with the people from the City of Long Beach, who were bidding on the ship and who later on made a joint venture with us.

So, I met with them all day Monday and flew back

Monday afternoon because Otto Marx said I could go for a day but I had to be back, so I came right back.

Q Mr. Fugazy, do you know a gentleman named Robinson?

A Yes, I do.

Q Who is he, sir?

A He was President of Diners' Club International, which is a subsidiary of Diners' Club and which ran all of the Diners' Club operations around the world.

Q Did you have occasion to meet with him, sir?

A With whom, sir?

Q Was anyone else present?

A No, sir.

Q Tell me how the meeting came about.

A Mr. Bloomingdale asked me if I would meet with Mr. Robinson, talk about going to the Diners' Club International Convention so that the announcement of Diners' Club buying our company could be made and a program could be developed for integrating our company into all the Diners' Club operations around the world.

Q And when did that conversation take place?

A Towards the end of July.

Q Did you in fact meet with Mr. Robinson?

A Yes, sir.

Q And when did you have that meeting, sir?

A I think it was the end of July. May I look at my diary?

Q If you don't recall, would you look at your diary and see if it refreshes your recollection?

A July 28th.

Q Would you read, please, for the jury the notation in the diary which refreshes your recollection?

THE COURT: Sustained.

MR. FREDERICKS: Your Honor, at this time I would like to move into evidence Exhibits 1, 2 and 3.

MR. SANTORA: I object to their offering at this point. I don't think there has been sufficient testimony that this witness has any memory of what is in there and I think he has testified that some of these entries were prepared by somebody other than himself.

THE COURT: His secretary, I believe.

Objection sustained.

Q Mr. Fugazy, do you know a gentleman named Benton?

A Yes, sir.

Q Who is he?

A Vice president of the Ford Motor Company.

Q Did you have occasion to meet with Mr. Benton?

A Yes. Mr. Bloomingdale asked me if I would arrange

for him to meet with Mr. Benton to attempt to get Diners' Club to operate the credit card for the Ford Motor Company.

Q Did you in fact arrange such a meeting?

A Yes, I did.

Q When did that meeting take place, sir?

A Took place beginning of August -- August 4th, I believe.

Q Are you sure of the date, sir?

A No, I am not. I mean, it's tough; it's ten years.

Q Would you mind looking at either Exhibit 1, 2 or 3 for identification tell us if that refreshes your recollection.

A Nine o'clock on August 4th at Bloomingdale's office LA, I met with Mr. Benton and Mr. Bloomingdale.

Q Whose handwriting is that entry in, sir?

A Mine, sir.

Q Mr. Fugazy, after your meeting with Mr. Bloomingdale on August 4th in Los Angeles, did you have a subsequent meeting with Mr. Bloomingdale?

MR. SANTORA: I find this extremely leading and it is going on one after another. I object.

THE COURT: Sustained.

Q Mr. Fugazy, after your meeting on August 4th, did you have occasion to see Mr. Bloomingdale again?

MR. SANTORA: I object on the same ground.

THE COURT: Sustained. You are asking a leading question. Just rephrase it and it will be permitted. He is objecting; it's a proper objection. I have sustained it. I am not precluding you from inquiring in this area.

Q Mr. Fugazy, what if anything did you do on August 5th, 1967?

MR. SANTORA: I am going to object to this because there is a suggestion of dates in every one of those questions.

THE COURT: Yes. That is the point; exactly. You indicated, sir, that you met with Mr. Bloomingdale on August 4, 1967. Is that right?

THE WITNESS: Yes, your Honor.

THE COURT: Did you meet with him at any time after that?

THE WITNESS: Yes, your Honor.

THE COURT: When?

THE WITNESS: Throughout that day and throughout the next day, a series of meetings.

MR. SANTORA: Your Honor, I want to point out that the witness is reading from his diary on that last answer and I think at least it should be noted.

THE COURT: Let us note that. Try to work without

referring to your diary. In the event that you are unable to recall something, then your attorney may permit you to look at the exhibit, but you should be testifying in the first instance from recollection and, if you need to refresh your recollection, certainly it will be permitted.

THE WITNESS: Your Honor, the last time I asked if I could look at this page and it was on that page and that is what I was looking at. I wasn't looking at any other page.

THE COURT: All right.

THE WITNESS: I'm sorry.

THE COURT: You may proceed, counsel.

Q Would you tell us the sum and substance of the meeting with Mr. Bloomingdale on the 5th?

MR. SANTORA: I object; come on.

THE COURT: Yes, indeed.

MR. FREDERICKS: Your Honor, he is just --

THE COURT: Where did you meet with Mr. Bloomingdale when you met with him on the fifth?

THE WITNESS: On the fourth, your Honor?

THE COURT: The 5th.

THE WITNESS: The next day?

THE COURT: Yes. Where?

THE WITNESS: In Los Angeles.

THE COURT: Who was present?

THE WITNESS: Mr. Bloomingdale and, I believe, Mr. Zeckendorf and some of the other Diners' Club people. I am not exactly sure.

THE COURT: Your counsel would like to know what was said. You can tell us what was said in exact words or, if you don't remember the exact words, in substance, indicating who said what.

THE WITNESS: Bloomingdale was very happy because Mr. Benton had agreed to --

MR. SANTORA: I have to object to that.

THE COURT: Yes. Did Mr. Bloomingdale say something?

THE WITNESS: Yes, sir.

THE COURT: Did Mr. Somebody Else says something? If they did, just tell what it was they said.

THE WITNESS: Bloomingdale said to me, "I am very grateful for you setting this thing up with the Ford Motor Company; it's going to be a very big thing for the Diners' Club -- the Diners' Club running the Ford credit card." And he said, "I want you now to continue to work with me on projects like this until our deal is completed."

I told him again that I was having problems with Otto Marx, who wasn't happy over the fact that I had gone to Europe, although our agreement with Mr. Marx was that

whether or not the Diners' Club deal went through, Fugazy would operate the Queen Mary and make income.

Bloomingdale said, "Well, the deal is on. What is it you are worried about?"

And I said, "Same problem," so he said, "Well, we will work it out," and he asked me to spend two days there with him, which I did, and met with other Diners' Club people, and then returned to New York.

Q Mr. Fugazy, do you know a gentleman by the name of David Mahoney?

A Yes, sir.

Q Would you tell us who Mr. Mahoney is, please?

A Mr. Mahoney is a personal friend of mine that is the chief executive officer of Norton Simon Company and was a director of the Diners' Club at that time and until he and I resigned, I think in 1970.

Q When is that time?

A He remained a director until the end, when he resigned. We all went off the board together but he was a director at that time.

Q Was he a director in 1967?

A Yes, sir, he was.

Q Did you have a meeting with Mr. Mahoney at any time during 1967?

A Yes, sir.

Q Would you tell us when and where, sir.

A Shortly after I came back from the Coast, around August 9th or 0th, Mr. Mahoney called me and said he wanted to have dinner with me.

I was happy to do so, and I went to dinner with him and he told me that he had received a phone call from Alfred Bloomingdale indicating that our negotiations weren't going well or there was some reticence on our part to be acquired by Diners' and Dave said that as a director of Diners', he wanted to try to explain to me why he thought it was a good thing for both parties.

He talked to me about what Diners' Club was and said that Continental was now involved and it looked like they were going to be taking the company over and he thought that I should consider seriously making a deal with the Diners' Club.

Q Do you recall anything else that was said at that meeting?

A No. He just said he thought it was a healthy thing for all of us and that if he could be helpful, if he could be helpful in seeing that it came about -- the merger or acquisition -- he was willing to do so.

Q After you had a meeting with Mr. Mahoney in

August, did you ever see Mr. Bloomingdale again?

A Yes, sir.

Q Approximately when was that, sir?

A I talked to him -- I think the next time was probably he came up to my house one night.

Q Can you tell us the circumstances leading up to your next meeting with Mr. Bloomingdale?

A Mr. Bloomingdale came to New York and wanted me to --

THE COURT: When?

THE WITNESS: Sorry, sir. Towards the end of August -- August 26, 27, something like that.

A And he wanted to meet to get the, as he said, train back on the tracks. I told him I couldn't come to New York because I had my house with a lot of guests and there was a golf tournament going on and it was rained out and I had house guests and I couldn't leave.

And he said, "Well, I will come up and I want to come up with Marx and Liftig and I want to get this deal set, finished."

So, I said, "Fine; if that is what you want to do," and he and Mr. Marx and Mr. Liftig came up to my house and had dinner with me.

THE COURT: When was that?

THE WITNESS: Sir, the best I can recall is it was

like a Tuesday or a Wednesday around the 30th of August. The gold tournament was supposed to end on a Sunday and it was rained over for two days.

Q And did you have a meeting with Mr. Bloomingdale and Mr. Liftig and Mr. Marx at that time?

A Yes, I did.

Q Can you recall what was said and by whom?

A Well, they had dinner with the other guests who were in my house, so they couldn't talk much business but after dinner, Bloomingdale said to me, "I worked out everything with Otto and we are going to show him about Continental," and he says, "I want to have lunch with you tomorrow to get this thing back on the stream."

Q Did you have lunch with Mr. Bloomingdale the following day?

A Yes, sir, I did.

Q Who was present at that meeting?

A I think it was Mr. Bloominmgdale and possibly H. L. Zuckendorf and Mr. Hays. We talked about the Queen Mary and the -- you know, the acquisition, merger, purchase by Diner's of our company. I think that is who was there; I am not sure.

Q Can you tell me what if anything Mr. Bloomingdale said and what you said at that meeting?

A Bloomingdale said that he had talked it over further with Victor Herd and that he was going to arrange for me and Otto -- for Otto Marx and myself to go down and find out if the Continental was taking them over and -- but, in the meantime, he said "talk to Dave Mahoney; didn't Dave Mahoney tell you this is going to happen? You have heard it from everyone. Now, stop worrying about it."

And I repeated again, I said, "Fine; I believe you but you better convince Otto."

Q Mr. Fugazy, did there come a time that you did meet with Mr. Victor Herd and Mr. Johnson?

A Yes, sir.

Q Would you tell us again who Mr. Herd and Mr. Johnson are?

A Mr. Herd was the chairman of the board of Continental Insurance Company. Mr. Harold Johnson was the executive vice president of Continental Insurance Company.

Q Would you tell, us please, the circumstances under which you had that meeting with Mr. Herd and Mr. Johnson? How did it come about?

A I was with Mr. Bloomingdale at the end of the day and it was sometime in September or October. I just can't remember the day.

Mr. Bloomingdale said, "I have a meeting with

Victor at four o'clock. I want you to come down and meet him," because our deal was to close -- I think we were to sign the final deal on September 20th, sometime around that time. And he said, "I want you to meet him."

So, he took me downtown and introduced me to Harold Johnson and Victor Herd.

Q Did you at that time have a conversation with Mr. Herd?

A Yes.

mb-a 16

Q Who was present inthe room during that meeting?

A Ifirst met Mr.Johnson in his office, and then I believe Mr. Johnson, Mr. Bloomingdale, and myself, all went into Mr. Herd's office or we went into a sitting room, not his office.

Q Could you tell me, please, what Mr.Herd said to you and what you said to Mr.Herd, and anything else that anyone lese might have said at that time?

A Mr. Herd told me how pleased he was to meet me and I was so pleased to meet him, and said how happy they were that Diners' was acquiring our company, that he knew ofus, and heard about our company, and thathe thought the merger would do both companies well.

He said that he had -- that Continental had great hopes for Diners' Club and I think he said they had 20 or 30 million in the company at that time, and I said -- told him that I was very -- looking forward to the deal, and I said thatone of the things we were interested in, to be honest, was what Continental's position was -- what continental's position was. I said, "My partner, Mr. Marx, I very happy about this arrangmeent, but we are very interested in what Continental's position in theposture of of Diner's Club is, and he repreated that they had so many millions in the company, and how enthused they were, and

I didn't come out and say what I wanted to say, "Well, are you going to buy the rest of the company," and he said, "Well, you don't court a girl unless you are going to marry her." It was a very -- a remark I remembered very well, and we left, and on the way up Bloomingdale said to me in the cab, "Well, I guess that proves to you that they are going to take us over," and I said, "It would seem so."

Q. Did you relay that conversation that you had with Mr. Herd and Mr. Bloomingdale on that day to Mr. Marx?

A. Yes, sir, I did.

MR. FREDERICKS: Your Honor, I notice it is 4:30. I think this might be an appropriate time to cut off the testimony.

THE COURT: If you feel it is appropriate, I think the hour is just about what I indicated to the jury.

Ladies and gentlemen, we are going to recess at this time. Please, as you leave, do not discuss the case among yourselves. Do not remain within the presence of anyone else who might be discussing the case. In the event you should learn anything about the case from any source outside of the courtroom, you are directed to report thematter to me at once.

Please keep an open mind on all facets of the case until it has been concluded. The jury is excused and

directed to return tomorrow morning at 9:30 a.m.

(The jury left the courtroom.)

MR. MC KAY: May I request, your bOnor, that we perhaps be permitted to examine these diaries perhaps this evening?

THE COURT: You an work out whatever arrangement is convenient. They have been marked for identification, and under the circumstances I would permit you to inspect them at a time which is mutually convenient.

(Trial adjourned to Wednesday, May 7, 1975, at 9:30 a.m.)

2nd Tri. Day II

W. Fug.

Marx & Co., Inc. et al

v. 72 Civ. 4324

The Diners' Club, Inc. etc.

New York, New York

May 7, 1975
9:30 a.m.

- - -

(Trial resumed.)

- - -

(In open court; jury present.)

W I L L I A M D. F U G A Z Y, resumed.

THE COURT: Mr. Fugazy, you will be resuming your testimony today under the oath which was administered yesterday when you began.

THE WITNESS: Yes, your Honor.

DIRECT EXAMINATION (Continued)

BY MR. FREDERICKS:

Q Mr. Fugazy, I am going to give you back what have been marked Exhibits 1, 2 and 3 for identification, your diaries, so you can have them during the course of your testimony this morning.

MR. FREDERICKS: May I proceed, your Honor?

THE COURT: You may.

MR. FREDERICKS: Thank you.

Q Mr. Fugazy, at the end of the day yesterday you testified to a meeting that you had had with Mr. Herd. Do you recall that testimony?

A Yes.

Q And you told us that after you left the meeting with Mr. Herd, and he had made some statements to you about the Continental-Diners' acquisition, you rode back in a taxicab with Mr. Bloomingdale. Do you recall that testimony?

A Yes, sir.

Q Would you tell us what Mr. Bloomingdale said to you in that taxicab ride?

A Mr. Bloomingdale was very happy that Mr. Herd --

THE COURT: No, what he said. We are not interested at the moment in his mood. Just tell us what he said.

THE WITNESS: I am sorry, your Honor.

THE COURT: That's all right.

A Mr. Bloomingdale said, "Well, I hope you are happy that Victor assured you about the Continental offer," and I said "Yes, I am."

And he said "I presume you are going to tell Otto about it so he will be relieved of the suspense or concern." And I said "Yes, I will."

Q Did you in fact have a conversation with Mr. Marx after your meeting with Mr. Herd and Mr. Bloomingdale?

A Yes, sir. we went back to the Diners' Club and I believe I called Mr. Marx on the phone and possibly met with him later that night.

Q Can you tell me as best you can recall what you said to Mr. Marx and what he said to you at that time?

A I said to Mr. Marx, "I met with Mr. Johnson and Mr. Herd today, and they are very enthused about Diners' Club buying our company, and I asked Mr. Herd about the takeover of Continental", and I said, "The only thing I can tell you is he said that they were going to get married."

I told him about the remark he made about courting a girl.

MR. FREDERICKS: Your Honor, I wuld like to have these four documents marked at this time, please. I will see if I can get a stipulation to have them in evidence to avoid any problem of identification.

THE COURT: They have already been identified in the pretrial order, haven't they?

MR.FREDERICKS: Yes, your Honor.

THE COURT: Very wel. Let's get them marked first. I think that would be the better course.

These are5, 6, 7 and 8 for identification.

4 is in evidence, is it not?

MR. FREDERICKS: Yes, it is, your Honor.

(Plaintiffs' Exhibits 5, 6, 7 and 8 were marked for identification.)

MR. FREDERICKS: Your Honor, counsel has stipulated that these documents may be received in evidence.

THE COURT: Very well.

MR. SANTORA: Your Honor, on the belief that those are true and complete copies.

THE COURT: If you should find that a page is inadvertently missing, I will certainly give you leave to point it out and substitute, if you have another set of copies, a page.

MR. FREDERICKS: Your Honor, I have already advisec counsel that the document, Exhibit 6 in evidence, certain of the pages I have which were supplied to me, the Xeroxing has gone over the page, it is not really relevant but counsel has suggested that they will replace the pages.

THE COURT: Very well. At this point would you identify them one at a time. 5 is what?

MR. FREDERICKS: 5, your Honor, is an agreement dated October 10, 1967, between Diners' Club Corporation and Fugazy Travel which is the purchase acquisition agreement, and as part thereof, there are several exhibits which

are additional agreements related thereto.

THE COURT: The entire package is offered as one exhibit and is received, as I understand it, Mr. Santora, without objection.

MR. SANTORA: Yes, sir.

THE COURT: Subject to your checking on particular pages that may be illegible or left out by inadvertence. With respect to that, your Honor, that may come up on both sides. We have been producing documents to each other at great lengths in the last couple of days and weeks and both counsel will cooperate to see that the copies that are finally in are the completely accurate and complete documents?

MR. FREDERICKS: No. 6, your Honor, is the schedules to that purchase agreement which are required by that contract; rather lengthy schedules which have been marked separately.

THE COURT: Very well.

MR.FREDERICKS: 7, your Honor, is a document of even date, October 10th, which is an employment agreement between Fugazy Travel and William Denis Fugazy.

THE COURT: And is 8 a similar agreement?

MR. FREDERICKS: 8 is a collateral agreement, your Honor, between Fugazy Travel Bureau and William Denis Fugazy,

of even date.

(Plaintiffs' Exhibits 5, 6, 7 and 8 were received in evidence.)

THE COURT: There being no objection except that there may be a request by counsel to substitute or add pages. Very well.

Q Mr. Fugazy, would you please look at the document which has been marked Exhibit 5 for identification. Were you present when that document was signed, sir?

A Yes, sir, I see my initials on it. Yes, I was.

Q And where and when was that document signed?

A I believe it was signed in the law firm of Hays Sklar, Pam Am Building.

Q The law offices of Hays Sklar?

A Yes, who were Diners' counsel at that time.

Q Do you know who signed for Fugazy Travel Bureau, Inc.?

A Otto Marx.

Q Can you identify for us Exhibit 6, sir?

A This is a schedule attached to the closing which was required, listing all the franchises and various schedules.

Q Who signed those schedules?

A Mr. Marx as chairman and myself as president.

Q I show you Exhibit 7. What is that, sir?

A This is the employment agreement between the new Fugazy Travel Bureau the day it organized and myself.

Q And Exhibit 8, sir?

A This is the collateral agreement having to do with the compensation payment, I believe.

Q Would you explain to us as best you can the substance of that agreement?

THE COURT: No, the agreement is now in evidence, and I would suggest you can read from it, you can show it to the jury if you wish, but I don't think the witness should testify regarding the substance of it. May I see the exhibits which are now in evidence?

(Documents handed to the Court.)

THE COURT: Thank you.

MR. FREDERICKS: Would your Honor like me to wait a moment while you peruse that before I go on with the questions?

THE COURT: Yes. It is the practice here that when exhibits are received, they be handed up to the bench first. The Court is then able better to guide the future course of the trial.

(Pause.)

THE COURT: All right.

I have looked at 5.

That is the agreement itself.

MR. FREDERICKS: Your Honor --

THE COURT: Now let me turn to 6.

Just bear with me.

MR. FREDERICKS: Might I suggest you hold it? I intend to read from it and the Court might want to follow, and I have another copy here.

THE COURT: All right. Just let me check 6.

(Pause.)

THE COURT: All right.

I have finished with 6.

THE COURT: I have now looked through the exhibit, and if counsel wishes to proceed he may, as he indicated he would.

MR. FREDERICKS: If I might, your Honor, I would like to read from Exhibit 5 to the jury at this time.

THE COURT: That is the purchase agreement of October 10, 1967; is that correct?

MR. FREDERICKS: That is correct, your Honor. I am beginning on page 2, at the bottom, Item 1.2, "Consideration for sale and transfer".

(Mr. Fredericks read to the jury from Plaintiffs' Exhibit 5.)

MR. FREDERICKS: I now move on, your Honor, to Item 1.3, entitled "Certain post-closing adjustments".

THE COURT: Just one moment. Let me read what you have skipped, so I can follow it in context.

(Pause.)

THE COURT: There is some material written in just above where you want to read. If I can just have a moment, I would like to read it.

MR. FREDERICKS: If you would like, your Honor, I will read it, since I am familiar with it.

THE COURT: All right.

(Mr. Fredericks continued reading to the jury from Plaintiffs' Exhibit 5.)

MR. SANTORA: Your Honor, I don't know that there is any foundation for that.

THE COURT: That is a fair statement. Perhaps we can inquire of the witness.

Mr. Fugazy, I show you Plaintiffs' Exhibit 5, and the material which Mr. Fredericks just read is the handwritten material, and I note some initials next to it. Are any of those initials on either side yours?

THE WITNESS: Yes, sir.

THE COURT: Would you tell us when the handwritten insertion was made?

THE WITNESS: At the closing, your Honor. There were a few other changes like this. They had forgotten them. We were all asked to initial them: Mr. Marx and myself and I think Tom Hays initialed it.

THE COURT: Mr. Santora, that covers your objection.

All right. You may proceed.

(Mr. Fredericks continued reading to the jury from Plaintiffs' Exhibit 5.)

MR. SANTORA: Your Honor, I have a possible suggestion. I am not sure that it is appropriate reading

from the contract without some connection with the witness' testimony, and I don't know where we are going or how much more of this there is, but I don't know in what connection--what connection this has with the testimony. It is not accomplishing much to read this without some connection to the case.

THE COURT: Well, I always say when a document has been received in evidence it speaks for itself, and I would permit counsel to read a portion of it. If you feel that for clarity's sake it is necessary at this juncture to read some additional portion of the document, I will permit that.

I suggest that the document could just as well be shown to the jury, but it is multi-paged, and Mr. Fredericks is just trying to save the jury's time.

When Mr. Fredericks has finished reading the portion he wishes to read, you may read it at this time, or, if you wish to read it at a later time, you may do that.

MR. FREDERICKS: Your Honor, I am moving up to the middle of the next page, beginning with the words "Such balance sheets".

(Mr. Fredericks continued reading to the jury from Plaintiffs' Exhibit 5.)

MR. SANTORA: Your Honor, may I inquire at

this time: It sounds like putting in issue our counter-claim. I would just like a clarification on that, in case on cross examination--

THE COURT: Well, I suggest that we shouldn't go into that at this time, that is, the discussion.

So your mind is clear as to what you may want to read, is that presented, counsel, in support of the claim in chief or in defense relative to the counter-claims?

MR. FREDERICKS: Your Honor, that is submitted in connection with the plaintiffs' case in chief.

THE COURT: Thank you.

(Mr. Fredericks continued reading to the jury from Plaintiffs' Exhibit 5.)

Q Mr. Fugazy, Exhibit 5 refers to a security escrow agreement and has such an agreement attached. Were in fact stock and moneys deposited at the Bankers Trust?

A Yes, sir.

Q And who maintained control over that account, if you know, at Bankers Trust?

A Diners' Club, I believe.

Q Mr. Fugazy, you signed Exhibit 7?

A Yes.

Q And under the terms of this agreement, after

the closing, did you become employed by Diners' Club?

A Yes, sir.

Q Would you tell me when the matter actually closed? Did it close on October 10th, the date on the agreement, or did it close on some other date?

A It closed at the end of the month, because I was out of the country, and I wasn't there for the closing.

Q It closed some time the end of October?

A I think it was October 30th.

Q And at that time you went to work for Diners' Club?

A Yes, sir.

Q In what capacity?

A As the president of the Diners'/Fugazy, the travel company.

Q And you went to work pursuant to the agreement marked Exhibit 7?

A Yes, sir.

MR. SANTORA: I object to that.

THE COURT: Yes. I think it does call for a conclusion. I am going to let it stand.

Try not to ask a question that will call for a legal conclusion.

MR. FREDERICKS: Your Honor, I would like to

read at this time from Exhibit 7 in evidence.

THE COURT: That is the employment agreement.

MR. FREDERICKS: Yes, and I hand your Honor a copy of the agreement.

THE COURT: Thank you.

Ladies and gentleman, Exhibit 7, which is in evidence, is an employment agreement between Fugazy Travel Bureau, Inc. and Mr. Fugazy.

MR. FREDERICKS: Your Honor, I will be reading from page 2, paragraph 2.

THE COURT: Very well.

(Mr. Fredericks read to the jury from Plaintiffs' Exhibit 7.)

MR. FREDERICKS: Your Honor, I think I will go back to the first page.

(Mr. Fredericks continued reading to the jury from Plaintiffs' Exhibit 7.)

MR. FREDERICKS: If I might back up for a moment, your Honor, to identify the parties, which I should have done initially, this is an agreement between Fugazy Travel Bureau, Inc., hereinafter referred to as D.F.T., a wholly-own subsidiary of Diners' Club, Inc., referred to as "Diners," and William B. Fugazy.

Reading on, your Honor, from paragraph 2--

(Mr. Fredericks continued reading to the jury from Plaintiffs' Exhibit 7.)

THE COURT: May I suggest something? I know you are going to read, you have every right to read and read as much as you want, but my recollection is that the parties worked on an agreement in connection with the pre-trial order, and paragraph D, which is "Facts Not in Issue," has a sub-paragraph 14, in which you gentlemen summarized the employment agreement in about six lines.

Is it necessary to read to the jury this lengthy document, which is in evidence, or would you want to read from your own agreed pre-trial order under D, "Facts Not in Issue."?

If you are adding something, fine; but you gentlemen worked very hard on your pre-trial order, and I think it would crystalize things for the jury if you were to indicate specifically what the employment agreement was as you boiled it down.

You have a choice. You have every right in the world to read the agreement or show it to the jury. I am not trying to cut you off.

MR. FREDERICKS: All right.

Your Honor, since the first part of what I read is what I was concerned with, I have no objection now at

this point to reducing the remainder of this agreement to now reading the agreed statement of counsel.

Ladies and gentleman, what I am about to read is a statement which counsel have agreed upon to be facts relating to the agreement.

THE COURT: These facts, ladies and gentleman, which will be read--it is about six lines--shall be taken by you as true in connection with your deliberations. Anything else that went before or will come after will be contested facts, where you will have to determine the truth or lack of truth of the facts.

MR. FREDERICKS: Mr. Santora, do you wish to follow along? I am on page 7.

(Mr. Fredericks read to the jury paragraph D of the pre-trial order.)

MR. SANTORA: I would just like to point out that the word is "provided," not "provides," and it speaks about a company called D.W.T., which was Diners' World Travel.

THE COURT: I had thought that was a typographical error. Does the contract refer to it?

MR. SANTORA: Yes. It is the same contract. I want to make sure the record is correct.

THE COURT: In any event, the employment con-

tract which is in evidence as Plaintiffs' Exhibit 7, provides for salary and expenses and other compensation, as has just been read to you.

MR. FREDERICKS: Your Honor, I will now continue to read from the agreement, because there is a provision that is not contained in that order, on page 3.

Ladies and gentleman, what I am reading is relating to the percentages we just read to you.

(Mr. Fredericks reads to the jury from Plaintiffs' Exhibit 5.)

Q Mr. Fugazy, you went to work under the terms of that agreement?

A Yes, sir.

Q And what position did you have in D.F.T.?

A President.

Q I am sorry. I didn't hear it.

A President.

THE COURT: He said it twice already. You asked him that before, and now you have asked him again, and then you had to hear it a third time. Let's try to move it along.

Q Mr. Fugazy, did there come a time when anyone offered you the presidency of Diners' Club?

A Yes, sir.

Q And who was that, sir?

A Initially, Mr. Bloomingdale.

Q Alfred Bloomingdale?

A Yes, sir. The chairman of the board.

Q And can you tell us when and where, sir?

A It was in Paris. Mr. Bloomingdale--we still had not signed our agreement, and Mr. Bloomingdale called me from Europe after I had come back from the management--international management meeting in Athens, and said he wanted me to come to over to Paris and to bring Mr. Otto Marx with me, because he wanted Mr. Marx to introduce him to some banking people in Paris.

And he again, at that time, which was the end of August--the deal was not quite on--on the track. It looked like it might not go through. We were having some problems.

Basically, I was having problems with some of the--I explained--I said to Mr. Bloomingdale, "We are having some problems with Tom Hays and the other officers of the Diners' Club."

So he asked me to fly over to Paris, and Mr. Marx and myself, I believe we first flew over to Paris on approximately August 27th, 28th, something like that.

Q Would Mr. Fugazy please examine --

THE COURT: I think the question was when and where were you offered the presidency of Diners' Club.

THE WITNESS: In Paris, your Honor.

THE COURT: When?

THE WITNESS: May I look at my diary, your Honor?

THE COURT: Yes.

THE WITNESS: August 28th. I went to Paris on the 27th. I was offered the presidency on August 28th.

THE COURT: 19?

THE WITNESS: 1967.

THE COURT: Thank you.

MR. FREDERICKS: Your Honor, may I examine the document to which he's referred?

THE COURT: Yes.

MR. SANTORA: I would like to see it myself.

(Mr. Fredericks and Mr. Santora examined a document.)

THE WITNESS: Excuse me, I am sorry, your Honor. It is September --

THE COURT: Do you wish to change your answer?

THE WITNESS: Yes. September 27th -- September 28, 1967.

THE COURT: September 28, 1967?

THE WITNESS: Yes, your Honor.

Q Mr. Fugazy, you refresh your recollection --

MR. SANTORA: Your Honor, I would like to note that last statement came solely from a reference to his diary.

THE COURT: Yes, I think the jury observed it and the record should reflect it.

MR. FREDERICKS: I was just going to ask him that.

Q Your statement was based on your refreshing your recollection from your diary which has been marked Exhibit 3 for identification?

A Yes, sir.

Q You see a notation on September 27th which has refreshed your recollection?

A It says "Bloomingdale, Paris," Marx.

Q Whose hand is that?

A Mine.

Q Will you tell us, please, what you said to Mr. Bloomingdale and what he said to you in Paris on September 28th concerning the subject matter of our prior question?

A Mr. Bloomingdale and I had just completed having diner with Mr. Marx, and he asked if I would go out and spend some time alone with him. We went out, and he said, "Bill, I have given this matter some very serious thought, and I want you to become the president of Diners' Club as soon as the acquisition or as soon as the merger

goes through."

I told him that I was not interested in it, and that I thought it was ridiculous for him to think of it at this time.

He asked me why, and I said "Because you are putting me in a very difficult position. Neither Tom Hays nor any of the people -- of the officers in Diners' Club want to make this deal. They are trying to stop the deal. You want the deal."

He says "Well, more than me, Victor Herd and Continental want the deal, and that's all that counts."

I said, "Alfred, you can'ttake me as an outside stranger, move me into the Diners' Club and be president and expect the cooperation of the people involved."

He said, "Well, Hays doesn't like you, I agree with you, but we will handle that."

I said "Second of all, under the agreement you have given me, I get no money. My family gets no money. The only way I am going to get any money is to earn it in the travel company over the next ten years; and I don't want to take my attention away from that."

He argued with me until late into the night, and I left with the definite opinion, I think, that I was not going to take the presidency.

Q That was September -- the end of September?

A September 29, 1967.

Q Did you discuss that matter with Mr. Bloomingdale or anyone else at Diners' Club after that meeting?

A I did.

I told it to Mr. Marx and later on Mr. Herd came to see --

Q Mr. Fugazy, please listen to my questions and only answer just what I ask you. I asked you about people, Mr. Bloomingdale or other people at Diners' Club

A I did not talk about it any more, no, sir, not until after the deal closed.

Q Mr. Fugazy, the deal closed, you are referring to what has been marked as Exhibits 6, 7 --

A October 10th.

MR. SANTORA: I really have to object because I think it's an attempt to speed things up perhaps but this is suggestion to the witness and I think it ought to be testimony from this witness and only from that witness.

THE COURT: You object to the form of the last question. It's been answered already.

MR. SANTORA: Move to strike.

THE COURT: Well, let the record stand but from this point on, I would ask counsel to refrain from leading

mbbr 5 W.Fugazy-direct

even though it may be an attempt to shortcut things.

Q Mr. Fugazy, did you meet with Mr. Bloomingdale after you signed the agreements which have been marked Exhibits 6, 7 and 8?

MR.SANTORA: I am going to object to that.

THE COURT: Sustained.

Q Was Mr. Bloomingdale present on October 10th?

MR. SANTORA: I certainly object to that.

THE COURT: Yes. Why don't you just inquire who was present.

Q Mr. Fugazy, who was present on October 10th when you signed the agreement?

A Mr. Hays represented the Diners' Club. Mr. Marx, my brother, and myself and Mr. Si Flug I believe, and the attorneys for the Diners' Club.

Q Was Mr. Bloomingdale there?

A I don't believe so.

THE COURT: You say attorneys for the Diners' Club. Were you and Mr. Marx represented by attorneys at that time?

THE WITNESS: Yes, sir.

THE COURT: Was somebody there from that firm?

THE WITNESS: Yes, sir.

THE COURT: Who was that?

THE WITNESS: I don't remember, your Honor. It was from the Kramer, Marx firm. Whoever was handling it. I just don't remember.

THE COURT: But he was there too.

THE WITNESS: Yes, sir, we had counsel. I am not claiming we didn't have counsel. We had counsel.

Q Mr. Fugazy, did you ever meet Mr. Bloomingdale again after your trip to Paris?

A Yes, sir.

Q When was the next time you saw him, sir?

A He came to New York -- he came to New York or I met him in Los Angeles. I would have to check my diary but it was the next week, right after that.

Q Would you take a look at Exhibits 1, 2 and 3 and see if they refresh your recollection.

A You mean the period after October 10th?

Q That is correct, after your meeting in Paris. I don't care, October 10th or otherwise, after your meeting on September 28th.

THE COURT: Start with that date and tell us the next time after that, if ever, that you met with Mr. Alfred Bloomingdale?

THE WITNESS: I believe it was October 15th and October 16th.

Q Where did those meetings take place, if you can recall?

A October 15th was a dinner meeting in New York.

October 16th was a luncheon in New York with Mr. Marx and Mr. Zeckendorf. And then October 17th another luncheon with Mr. Isbrandtsen, Mr. Zeckendorf and Mr. Marx.

Q Who is Mr. Isbrandtsen, sir?

A Mr. Isbrandtsen was the chairman of the board of American Export Industries and Mr. Bloomingdale had asked me to set up a luncheon with him.

THE COURT: That was Yakob.

THE WITNESS: Yakob Isbrandtsen.

THE COURT: The shipping man?

THE WITNESS Yes, sir.

Q What was the subject matter of that meeting as best you can recall?

A Mr. Bloomingdale wanted to get the general agency for Diners' Club and Diners/Fugazy of the American Export ships, which we got shortly thereafter.

Q Did you have ameeting with Mr. Isbrandtsen and Mr. Bloomingdale subsequent to the meeting you just testified to?

A Yes, we did.

* * * * *

So far, still outside the hearing of the jury, this case has moved at a snail's pace. I have mentioned on one occasion repetition. I have heard other repetition.

I would appreciate it if the case could be moved along in a concise fashion. This jury is here to listen, but if you read to them, like you did before, from a multi-paged document, when you have certain things summarized, my suggestion is to start with your summary and then add to it if you wish.

You read from that document as if you had no concept that you fellows had worked for probably several days on a pre-trial order, and my only comment to you is, this is a lawsuit, and I am going to permit each counsel to try his case as he sees fit, but I would suggest that this Court has many matters pending before it, and we must move this case along so that it can be presented to the jury in a clear and complete fashion.

No evidence is going to be kept out. No documents are going to be kept out, if there is a showing of relevance.

I say that to you now: Let's move along.

* * * * *

Q Was there an acquisition of Diners' by Continental in September of 1969?

A No, sir.

Q Was there an acquisition --

THE COURT: Why don't you ask him when, if ever, there was an acquisition? You know the answers to these questions, counsel. You are wasting the jury's time. You can argue later. Don't argue in your questions.

(To the witness:) When if ever was there an acquisition of Diners' by the Continental company?

THE WITNESS: In February of 1970, your Honor.

THE COURT: Thank you.

Next question?

MR. FREDERICKS: I would like to mark for identification a document, your Honor.

(Plaintiffs' Exhibit 26 marked for identification.)

MR. FREDERICKS: Your Honor, did you call counsel to the bench?

THE COURT: No. I did not call counsel to the bench.

I would appreciate it if counsel would quicken the pace of the trial. I would think where one question would suffice you need not ask four. That is the only comment I will make. That goes for both sides.

MR. FREDERICKS: Your Honor, I will offer into

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evidence Plaintiffs' Exhibit 26, which is an offer to purchase the common stock of Diners' Club, Inc. at $15 a share by the Continental Corporation.

THE COURT: Is there any objection?

MR. SANTORA: No objection.

THE COURT: Proceed.

Q Did you receive that document, sir?

A Yes, sir; I did.

Q Did you tender your shares of Diners' Club at that time, at any time, pursuant to this offer?

A Yes, sir; I did.

Q And when did you tender your shares, sir?

A At a date before the expiration of the offer, in probably February --

THE COURT: Give it to Miss Kruger.

(Plaintiffs' Exhibit 26 for identification was received in evidence.)

THE COURT: I think we interrupted you, Mr. Fugazy. If you will wait a moment, I would like to hear your answer in full.

Mr. Reporter, would you please read Mr. Fugazy's answer as far as he gave it, so we can have the entire answer.

(Answer read.)

A (Continuing) Or possibly early March.

MP 7 W. Fugazy - direct

THE COURT: Of 19 --

THE WITNESS: '70.

THE COURT: That is when you tendered your shares?

THE WITNESS: Yes, your Honor.

THE COURT: Perhaps we should tell the jury -- well, let's find out. How many of you know what a tender is? Don't be bashful. All right. A couple do, but most do not.

Would you tell the jury what a tender is?

THE WITNESS: A tender is when a company, like Continental, writes you and says that, "By a certain date, if you will mail us your stock in So and So, we will give you this much cash for your stock". In this case, for each share of Diners' stock that I held, I received $15 in cash for that share.

THE COURT: And that was when?

THE WITNESS: In February or March of 1970.

THE COURT: I believe the offer, according to the exhibit, which is in evidence, was to terminate at five p.m., Eastern Standard Time, on Monday, May 9th.

THE WITNESS: Well, your Honor, I could be wrong, but we tendered during the time frame of the offer.

(Plaintiffs' Exhibits 27, 28 and 29 marked for identification.)

MR. FREDERICKS: Your Honor, I am going to be reading from this exhibit.

(Document handed to the Court.)

MR. FREDERICKS: Your Honor, the exhibit number, I believe, is 5. Am I correct.

THE COURT: That is correct, 5 in evidence.

MR. FREDERICKS: Your Honor, at this time I would like to read to the jury from Exhibit 5 in evidence, page 39, starting from paragraph B.

(Mr. Fredericks read to the jury from Plaintiffs' Exhibit 5 in evidence.)

Q Mr.Fugazy, do you know what a registration statement is?

A Yes, sir.

Q Would you tell the ladies and gentlement of the jury what a registration statement is?

A A registration statement is the documents that a company must file with the Securities and Exchange Commission in order to have certain stocks or certain securities be acceptable for sale or for distribution or for redemption.

Q Do you know what a restricted security it?

A Yes, sir, I do.

Q Would you tell the ladies and gentlemen of the jury

what a restricted security is?

A A restricted security is a security like the ones we got from the Diners' Club, which means that you cannot sell it. You can hold it, and you may keep it in your possession, but until such time as that sock has been registered or until such time as the Securities and Exchange Commission gives you what they call a -- the right to sell it you may not sell it, and it is in effect, I don't want to say worthless,but you may not even bring it to a bank and borrow against it because there is no way that the bank could in turn sell it to get back money.

MR. SANTORA: I am going to move to strike that.

THE COURT: Strike it. He is giving a legal opinion. I am not sure I can agree with it either.

MR.SANTORA: If he wants to --

THE COURT: Let me suggest this: In the normal course, ladies and gentlemen, you have a stock which you could buy or sell through your broker in the usual course. However, there are certain stocks which are sometimes called letter stock or restricted stock, which bears a legend indicating that it is not as freely tradeable as the usual stock that you have.

The witness has indicated, and the exhibit,

Exhibit 5, provides that the shares which were received in connection with the 1967 sale of Fugazy were, at least a number of them were letter stock or stock certificates which bore a legend which restricted their sale. They could only be sold under certain circumstances, rather highly technical circumstances.

Q Mr. Fugazy, did there come a time that you took any action at all pursuant to Section 10.2(b) which I have just read to the jury?

A Yes, sir.

Q What did you do, sir?

A Mr. Marx, my brother and myself requested that Diners' register our stock.

Q I show you what has been marked Exhibit 27 for identification. Can you identify that for me, please?

A Yes, sir. It is a letter from Otto Marx on behalf of -- and signed by my brother and myself requesting that Diners' Club register our lettered stock.

Q Do you recognize the handwriting on the upper corner of that letter?

A Yes.

Q Whose handwriting is that?

A George Faunce.

THE COURT: Who is he?

THE WITNESS: He was the president of Diners' after I left,your Honor. George Faunce III or IV.

MR. SANTORA: I move to strike that. I don't know if he knows -- I will take a question, perhaps, if he has ever seen Mr. Faunce's signature before. I don't know if he has.

THE WITNESS: Yes, I have.

THE COURT: He indicates to you that he has.

MR. FREDERICKS: Any objection to 27, the first one?

MR. SANTORA: The first one, no.

MR. FREDERICKS: Your Honor, I would like to introduce at this time in evidence Plaintiffs' Exhibit 27, a letter addressed to the Diners' Club, Inc. dated April 16, 1969, bearing the signatures of F.T. Ventures, Inc., Otto Marx, Jr., William Fugazy, and Louis Fugazy. No objection has been --

(Plaintiffs' Exhibit 27 was received in evidence.)

Q Mr. Fugazy, do you know who was president of Diners' Club on April 16, 1969?

A George Faunce.

Q Is this a copy of the letter that you have just testified to that you and Mr. Marx sent?

A We didn't send it to Mr. Faunce. We sent it to Mr. Bloomingdale, yes.

Q Would you read to the jury the stamp, date stamp that appears on that exhibit?

A "April 2, 1969".

THE COURT: The letter is dated April 16th?

THE WITNESS: Yes, and the date stamp is April 2nd. I think the second number blanked out, your Honor.

(Handed to Court.)

THE COURT: To the Court, at least, it looks like an April 20 something number. I think it is more logical if you note the spacing.

THE WITNESS: Yes, yes.

Q I show you what has been marked Exhibit 28 for identification, and ask you, do you recognize the handwriting in the right-hand corner of that letter?

A Yes.

Q Whose handwriting is that?

A Victor Herd's.

Q Have you seen Mr. Herd's handwriting prior to today?

A Yes.

MR. FREDERICKS: Your Honor, I'd like to offer this in evidence, which is an identical copy of the same letter that has been introduced as 27 in evidence except for the hand-

writing which Mr. Fugazy has identified as that of Mr. Victor Herd.

THE COURT: What Exhibit is that?

MR. FREDERICKS: 28, your Honor.

THE COURT: Show it to counsel.

MR. SANTORA: No objection.

THE COURT: Received.

(Plaintiffs' Exhibit 28 was received in evidence.)

THE COURT:Incidentally, I might point out that this letter, which is now in evidence, 28, contains the same type of date stamp which you referred to a few moments ago, and it is there dated April 23 or April 23rd, 1969. I must say the spacing would make it appear to the Court that the other letter was received some time after the 20th.

Q Would you read to the jury the handwritten notes on Exhibit 27?

A "Harold" -- I presume harold Johnson -- "Alfred asked me to send this to you and Mr. Herd. He wants to know your position", I believe. Signed "George".

Q Would you read the handwritte- notes on the opposite corner on Exhibit 28.

A "Mr. Harold Johnson, anything we should be doing." Signed , his initials, J. Victor Herd.

MR. FREDERICKS: Your Honor, I would like to offer in evidence at this time Exhibit 29, which is a letter addressed to Mr. Herd bearing a "Received" stamp of April 28, 1969 from H.E.J.

THE COURT: Show it to Mr. Santora.

MR.SANTORA: No objection.

THE COURT: Is that a letter or memorandum?

MR. FREDERICKS: It is addressed to Mr. Herd so it is difficult for me to say, your Honor.

(Plaintiffs' Exhibit 29 was received in evidence.)

THE COURT: Since it doesn't bear any address on it, and it is signed with initials, I will classify it as a memorandum.

MR. FREDERICKS: I'd like to read Exhibit 29 to the jury if I may, your Honor, at this time.

THE COURT: You may.

MR. FREDERICKS: It bears the date April 24, 1969, a "Received" stamp April 28, 1969 under the initials J.V. Herd.

(Mr. Fredericks read from Plaintiffs' Exhibit 29 in evidence.)

Q Mr. Fugazy, did there come a time when a registration statement was filed which covered your shares, do you know?

A Yes, sir.

Q Do you know when it was filed, sir?

A Spring of 1969 -- or the summer of '69, I am sorry. I am vague on that date. WE requested it in April of '69, and I don't know what date it was filed but it was man, many months later.

THE COURT: You don't recall?

THE WITNESS: No, sir, I don't recall.

(Plaintiffs' Exhibit 30 was marked for identification.)

MR. FREDERICKS: Your Honor, I'd like to offer in evidence without objection of counsel a form S-1 registration statement under the Securities Act of 1933, the Diners' Club, Inc., preliminary prospectus dated August 28, 1969.

MR. SANTORA: We have no objection.

THE COURT: Received.

(Plaintiffs' Exhibit 30 was received in evidence.)

THE COURT: It is an S-1?

MR. FREDERICKS: Yes, your Honor.

THE COURT: What was the physical or calendar year of Diners' Club, if you recall?

THE WITNESS: March 31 at that time, your Honor.

It later changed to December 31st to concur with Continental's annual year. It was not March 31, 1969.

THE COURT: Very well.

MR. FREDERICKS: Your Honor, I'd like to have marked for identification at this time the Diners' Club Annual Report for March 1969.

(Plaintiffs' Exhibit 31 was marked for identification.)

MR.FREDERICKS: There is no objection on that, your Honor.

(Plaintiffs' Exhibit 31 was received in evidence.)

THE COURT: No objection to the annual report?

MR.SANTORA: No objection, your Honor.

THE COURT: Received. What is the date of the chairman's letter? June 16, 1969. All right. The accountants were Touche Ross.

THE WITNESS: Touche Ross.

THE COURT: All right. Thank you.

MR. FREDERICKS: Your Honor, I would like to offer at this time Exhibit 13 heretofore marked for identification which I now offer in evidence, counsel having withdrawn his objection, which is the Diners' Club notice of annual meeting to shareholders, June 20, 1969.

THE COURT: Received.

(Plaintiffs' Exhibit 13 was received in evidence.)

THE COURT: There is no objection to 13, is that right; Mr. Santora?

MR. SANTORA: No objection, your Honor.

THE COURT Very well; received.

Q Mr. Fugazy, to your knowledge did that registration ever become effective?

A Never did.

MR. FREDERICKS: I have no further questions of this witness, your Honor. I would like, however, at this time to let the jury look at Exhibits 26, 27 and 28 and 29.

THE COURT: Yes, and I think it would be appropriate that we take our afternoon recess,so ladies and gentlemen of the jury, when you are finished perusing the exhibits, and be sure you have seen them all, then we will take our afternoon recess.

MR. FREDERICKS: Your Honor, may the witness step down at least --

THE COURT: Yes, he may, if you wish to go to the back of the courtroom for a few minutes because we are not going to be asking you anymore questions until cross examination comes up shortly.